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# East Europe

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## GERMAN DEMOCRATIC REPUBLIC

**Church Paper Comments on Role of Dissidents**  
23000135 East Berlin *DIE KIRCHE* in German  
26 Feb 89 p 1

[Article by Ulli Brandt: "A Lot of Hot Air"]

[Text] "The Groups"—everybody is using the term but not many know what they mean by it. It contains mostly negative emotional associations, is used in a rather loose way and hovers at present over church-led discussions like a bloated hot air balloon.

When church members hear the term, they first think of Berlin and a bunch of protesting, ill-adjusted adolescents who press church communities for the use of their facilities and once they get what they want, they cause nothing but trouble for their hosts. Many of them furthermore are seen as non-Christians who are only interested in using the Gospel for criticizing society.

Reality however defies such trite characterizations. For example, the average group member is about 30 years old, and that is just the beginning.

The groups have two things in common: They are bringing people together whose conscience leads them to work actively on a specific problem, and they provide a place for people to find themselves and to become socially aware. The tension that exists between those two factors alone ensures that the dialogue between religious communities and their groups remains explosive. However, the real bone of contention is first that the groups insist on carrying their concerns beyond the church and second that they choose unorthodox ways of doing so.

It is true that during the past year and a half, certain groups have received more attention by our church newsletters than others, and consequently it is they who have largely molded society's image of what the groups are. However, for a realistic appraisal of the entire phenomenon one must look at the larger picture.

The Conference of Church Leadership is currently looking at "the church and its groups." Its aim—one hopes—is not to cook up criteria for excluding bothersome groups, since there are more important things on the agenda than to decide on the proper relationship between the church as an institution and those groups that try to join from the outside. Instead, so advised Reverend Curt Strauss at a special meeting, the church has a duty to outline to its constituency its overall position towards groups that voice their dissent from the inside.

The seventh seminar "Konkret fuer den Frieden" [Committed to Peace] will show the extent to which the groups are ready to contribute to a position statement. This weekend, 200 delegates will congregate at Greifswald for that purpose. Last year there was an attempt to define

the character of the groups, to outline their similarities and differences, but no position paper ever materialized. Maybe the groups were never all that interested in doing so in the first place.

If "Konkret fuer den Frieden" wants to become known as a "network" then it must abandon the concept of special status groups and individuals in exchange for viable modes of cooperation.

The Greifswald seminar concentrates on topics that mesh with those of the Ecumenical Convention. This is a chance for the groups to contribute to the discussions surrounding the Magdeburg working papers—especially after their continued lukewarm responses during these past few months. Such efforts in itself would already set the outlines of a definition.

## ROMANIA

**Roundtable on Noninterference in Nations' Internal Affairs**

27000054 Bucharest *ERA SOCIALISTA* in Romanian  
No 2, 25 Jan 89 pp 35-44

[Discussion by Univ Prof Dr Gh. Badrus, Dr Vasile Buga, Prof Alexandru Lemneanu, Univ Prof Dr Mircea Nicolaescu, Univ Lecturer Velicu Radina, Univ Reader Dr Ilie Seftiu, Aurel Zamfirescu and Elena Zamfirescu: "New Thinking and Current Requirements for International Solidarity"; first three paragraphs are ERA SOCIALISTA introduction]

[Text] In-depth examination of the general phenomena and processes characterizing the present period brings out the trend toward multiplication of factors making it more and more necessary to promote new thinking and a new policy concerning international relations. A creative approach to the vital problems of contemporary social development and constant enrichment of the revolutionary theory with new principles and conclusions reflecting the necessities of life and the requirements for securing the independence, peace and progress of all nations of the world are now more essential than ever to the success of the communist and workers parties' activities and of the effort to build the new order and to the increasingly intensive promotion of socialism as the only viable alternative for mankind's evolution.

Accordingly it is highly important to promote an innovative, consistently revolutionary view of the nature, principles and requirements of international solidarity in our period, in full accord with the great structural changes in the world in the last few decades, which was formulated and fully developed after the Ninth Party Congress with Nicolae Ceausescu's telling contribution, correlates a series of theories and principles of primary importance for consolidating unity and collaboration among all the revolutionary, progressive and advanced forces in today's world on a new and lasting basis. This view, emphatically reaffirmed in the speech on 28

November 1988, conforms along with other major contributions to the procedure of constantly renovating and enriching the revolutionary view and the consistent effort of the RCP [Romanian Communist Party] and its secretary general to transform the new political thinking from something to be desired to an actual fact.

In consideration of both the urgency of a new approach to international solidarity and the original theoretical and practical contribution of the RCP and its Secretary General Nicolae Ceausescu to the institution of new relations among the socialist countries, among the communist and workers parties, and among all the social and political forces working for social progress and a lasting peace in the world, ERA SOCIALISTA arranged a discussion of those subjects. We are publishing the abridged text of the discussion in this issue.

**Structural Changes in the World and the Need of a New Approach to Social Progress. The Narrow View About the Revolutionary Forces Must be Overcome. International Solidarity Does Not Mean Interference in Other Nations' Internal Affairs.**

Mircea Nicolaescu: Our period is distinguished by radical revolutionary reforms, major socioeconomic, technical-scientific, political, national and cultural changes, and radical material and cultural changes in the nations that directly affect the balances of power in the world arena. They all cogently validate this historical and dialectical-materialist conception by demonstrating with new evidence the viability of the principles of scientific socialism and their agreement with the aspirations of the peoples throughout the world. Meanwhile the growing diversity and complexity of the specific conditions under which the communist and workers parties and the other progressive and democratic forces operate, as well as the contradictory course of world events, the current series and complicated international situation, and the extent and gravity of the problems facing all mankind are making it increasingly necessary to adopt a new, dynamic and clear approach, free of any narrow dogmas, to the realities of a completely changing world.

Gheorghe Badrus: In bringing out the fact that the lag in theoretical analyses, that is interpretation of the unprecedented and contradictory facts of this period at the conjunction of the 20th and 21st centuries in the light of some outmoded views on historical development, can have bad effects upon the efforts of the social and political forces interested in national as well as international innovations, Nicolae Ceausescu keeps stressing the vital necessity of correlating the revolutionary theory with the developments and requirements of practice. As he pointed out in his speech on 28 November 1988, we must say frankly that "A number of problems have arisen in the last few years that require a new approach and a new interpretation of the great changes that have taken place in the world and of prospects of the revolutionary effort. They all questionably require of every party and of the revolutionary forces everywhere a

scientific, realistic analysis of the current problems in the spirit of the revolutionary, dialectical-materialist conception, as well as a new policy and a clear perspective on the course of the struggle for economic and social progress, for socialism and for a better and more just world."

Ilie Seftiu: That conclusion is also proving quite valid in the approach to the concept of international solidarity, because internationalism has a specifically determined content in each historical stage. It cannot be viewed as static or immutable, it has been evolving with experience, and it is constantly enriched with new aspects and standards.

Since the Ninth Party Congress especially it is our party's credit to have pioneered, so to speak, in this respect too and in many others as well, to have been one of the first communist and workers parties that pointed out the need of a new approach to international solidarity, to have spelled out the new directions and dimensions of that concept by freeing it of the restrictions that characterized the older ideas of "proletarian internationalism" or "socialist internationalism," and to have worked with determination for a new and higher unity of the international communist and workers movement and for the collaboration of all the revolutionary, progressive, democratic and advanced forces of the peoples everywhere. Nicolae Ceausescu says, "We view the concept of international solidarity in the context of the vast revolutionary changes made in the world, so that it includes both the unity of the socialist countries, the communist and workers parties and the working class and support of the national liberation movements, as well as the struggle against imperialism, colonialism, neocolonialism and underdevelopment and for the new international economic order, disarmament, and observance of every people's right to self-determination."

Gheorghe Badrus: This view is all-inclusive and induces us to proceed in our discussion to examination and better determination of the very concept of solidarity in time and on various levels because, like other social and political phenomena, the objective reality that this concept reflects has several facets and takes various forms.

Velicu Radina: I would stress here the fact that the idea of a very broad solidarity based on the vital interests of the working class, all workers and humanity to include all revolutionary, progressive and democratic forces, the idea that our party and its secretary general are tirelessly militating to promote and carry out, has made headway gradually, processually and under by no means easy conditions. For instance, although past experience had clearly indicated that the efforts of the working class and its organizations cannot succeed if the national realities among which they are exerted are neglected or underrated in the name of the general commandments, and if those efforts do not directly and primarily serve the particular interests and aspirations of the working masses in their own country, nevertheless in a certain

period intensive efforts were made within the communist and workers movement to oppose international interests to the national ones. Accordingly various theories are devised about the "leadership" of certain parties that were declared "leaders" of the worldwide revolutionary process. This view of the "primacy" of the said parties was associated with the idea that international unity and solidarity required a "center of leadership" of the communist movement, subordination of national interests to international ones, and waiver of the parties' independence in forming their political policy, in other words interference in their internal affairs to the great detriment of the socialist cause. Moreover judgments were made with no objective provision for the allies of the working class, disregarding the fact that the anticapitalist, anti-imperialist struggle includes increasingly diverse forces whose unit is not "reduction to the common denominator" and the fact that diversity is a source of strength and not of weakness, and concluding, for example, that the socialist and social democratic parties are a "peril" and should even be treated as "enemies" of the communist movement.

After World War II, the denouement of which was closely bound up with the formation of some broad social and political alliances, some favorable developments set in on both the national and international levels. On the one hand, experience itself called attention to some political and social forces that had been hitherto underrated. Their diversity and their clear contribution to the promotion of the ideals of peace and social progress and their anti-imperialist, anticapitalist and democratic potential made it impossible to regard them any longer as "marginal" or "accidental" forces for social innovation, opposition to the imperialist policy of war and armament, independence, peace and international collaboration. On the other hand, the increasing emergence of a more and more extensive series of progressive and advanced sociopolitical forces led many communist parties to gradually reconsider the subject of the allies of the working class. Furthermore a complicated and contradictory process set in of renouncing the old ideas and practices concerning relations among the communist parties and between the communists and socialists, and a new view of international solidarity in the light of the great structural changes in the world and the lessons of past experience gradually began to emerge. Of course this development was not without its difficulties. As we know, after the historic Ninth Party Congress the RCP and its Secretary General Nicolae Ceausescu emphatically posed the problem of overcoming the narrow, restrictive view of the forces for peace and progress and also established the necessity of instituting a new unity of the international communist and workers movement based on full equality of rights and observance of every party's right to form its political policy independently without any outside interference.

Alexandru Lemneanu: The Conference of Communist and Workers Parties in Europe in 1976 was a highly important point in the process of forming a new kind of

relations within the international communist and workers movement that could do away with the bad practices that marked the period when serious deviations from the principles of relations among the communist parties and the socialist countries were committed. It is no secret to anyone that the inclusion of the "observance of the freedom to choose different courses in the struggle for socialism and progressive social reform" as a basic principle of the collaboration and solidarity of the communist and workers parties in the document approved on that occasion was also due to the tireless efforts of our party and its secretary general to promote and enforce the principles of independence, equality of rights, non-interference in other parties' internal affairs, collaboration and solidarity as effective standards for the conduct of relations among the revolutionary parties.

In summing up the RCP's efforts to promote the new kind of relations in the communist movement in the years following the victory of the anti-Fascist and Anti-imperialist Revolution for Social and National Liberation, the party secretary general said in his speech on 28 November 1988 that "Throughout this period the RCP worked for extensive collaboration with all communist and workers parties and firmly favored rejection of the old practices in relations among the communist and workers parties and institution of collaboration and solidarity on new principles of full equality and observance of every party's autonomy and its right to form its own political policy in accordance with the situation in each country."

Ilie Seftiu: In connection with the effort to promote new political thinking in the world and new international collaboration and solidarity, Nicolae Ceausescu also points out that in international relations in general the effort is being made to consistently apply the principles of full equality of rights and observance of national independence and sovereignty and of every nation's right to choose its course of development as it wishes without any outside interference. peace, progress, development and peaceful coexistence among nations are impossible without strict observance of those principles, which are valid for relations among all nations and peoples. These primary values of humanism and civilization should not be mentioned "solely on great occasions," because independence "is not a matter of occasions" but "a matter of every nation's existence, so that application of these principles should always be central to our activity and to that of all states," as the party secretary general said in his Report to the National RCP Conference in December 1987.

Mircea Nicolaescu: Indeed international solidarity, as our party keeps pointing out, certainly does not mean sacrificing or disregarding national interests but demands as a sine qua non observance of those interests and an unremitting effort to promote them in close unit and interdependence with the general interests of socialism, progress and peace. In Nicolae Ceausescu's innovating view, the communist and workers parties' responsibility for socialist construction in their own countries is

harmonized as a vital priority objective with responsibility for the whole conduct of the worldwide revolutionary process.

Alexandru Lemneanu: It is a vital requirement of international solidarity to observe the right of every party and every people to determine their domestic and foreign policies independently and to display every confidence in the ability of every people and every revolutionary party to overcome with its own forces any obstacles in the effort to renovate society and to exclude any outside interference in the affairs of other parties and other countries. The party believes a categorical distinction must be drawn between revolutionary international solidarity and interference in other parties' and states' affairs in any form and under any pretext. In pointing out in the April Theses how international solidarity should be displayed, the RCP secretary general said, "I think our ideological and political work should bring out the necessity of doing away entirely with interference in internal affairs and military intervention and respecting the people's right to determine their development independently. I want to mention that this does not mean giving up solidarity with the progressive anti-imperialist forces. But solidarity does not mean military intervention, and we must make that very clear. We have supported and will go on supporting the peoples who are fighting for economic and social progress, national independence and construction of the society that they want. That is a main point in our international policy of solidarity with all anti-imperialist forces."

Ilie Seftiuc: It is clear that international solidarity calls for sympathy, political and diplomatic support, and unfailing encouragement of the just struggle of the peoples everywhere for freedom, independence, democracy and social progress. To be sure this does not exclude other kinds of support such as material and financial, but as it has been pointed out in our discussion, solidarity certainly does not include intervention in other countries' and other peoples' internal affairs or replacement of the respective people's struggle with action of external forces. The RCP and other communist parties firmly reject any form of export of counterrevolution and attempts of reactionary circles and imperialism to crush revolutionary movements and the people's struggle for independence, freedom and progress, and they also regard export of revolution, confusion of solidarity with interference, or presentation of military intervention as a form of international solidarity as unacceptable and profoundly harmful.

Past experience has proved that those options are viable that effectively serve the peoples' aspirations and meet the objective and subjective requirements for their fulfillment. Therefore respect for every people's will and right to choose the course of political and social development that they wish is a major premise and requirement of international solidarity. Accordingly, export of revolution is no more "legitimate" than export of counterrevolution.

Mircea Nicolaescu: Nicolae Ceausescu's statements at the conclusion of the proceedings of the great democratic forum in November 1988 are also highly important for defining the scope of international solidarity in the present stage of man's evolution. In noting that the slogan started by the authors of scientific socialism "Proletarians of All Countries, Unite!" is still current, he also pointed out that in our time it must acquire a much broader meaning and "address not only the proletariat but also the peasants, intellectuals, oppressed peoples everywhere, and all those who want a better and more just life and peace." The concept of "the great front of freedom and progress" is extremely illustrative of the broad sense in which the RCP takes both the scope and the content of international solidarity. This concept is in full accord with the present requirements for man's progress and also with the innovative demands being made among the various forces that make up the great contemporary front of freedom and progress.

Ilie Seftiuc: We must point out that the RCP's board, receptive and dynamic view of international solidarity directly reflects consistent application of the historical-materialist theory about the telling role of the masses and the peoples in creating history. Nicolae Ceausescu accordingly dwells upon the idea that "We must keep stressing the correctness of the scientific theory about the roles of the masses and the peoples as the real creators of all development and of the history of mankind. While basing the whole process of socialist construction in Romania on this unquestionable truth of historical development, and working steadily for socialist construction with and for the people, the RCP and its secretary general are also militating for the most favorable international conditions for the peoples' active, free and independent participation in promoting the requirements of historical progress and in shifting the world balance of power in favor of the forces of social renovation and peace, who alone can secure mankind's progress and open up new prospects for a better and more just world."

Mircea Nicolaescu: I would note here that the need of reviewing and in fact of essentially rethinking the structure and principles that will enhance mass participation in international affairs and encourage development of unity and collaboration in the effort toward detente and progress is also graphically illustrated in some theoretical discussions on the world level for purposes of determining and defining some courses of action that can meet this requirement in full accord with the realities of our times. For example, a relevant exchange of opinions and suggestions was occasioned by the International Symposium on "the European Left in the Year 2000" organized in Athens in June 1988 by "PASOK, the Panhellenic Socialist Movement," which I attended. The members of the symposium had different political convictions, since they represented communist, socialist and social democratic parties as well as ecological and trade union organizations in many European countries, but they were unanimous in stressing the particular responsibility

of the working class and its parties and other organizations for the fate of humanity, as well as the requirement that they consistently conform to the specific facts of social development and the national conditions under which they operate in forms, structures and methods suited to each country's characteristics.

Disarmament and especially nuclear disarmament were described as objectives most like to encounter widespread support and to bring about profound solidarity, because saving lives is logically and legitimately essential to social development. In this connection the community of interests of the working class with a growing number of social categories and with the peoples of the "third world" countries was almost unanimously emphasized, a community of interests resulting from the threats to mankind's existence and to life itself that are posed by the serious developments going on in the world, namely the continuation of the armaments race, maintenance of many hotbeds of war and discord, widening of the gaps between the rich and poor countries, and deterioration of ecological balances. Most of the participants said the European left must unite its efforts in order to promote new international relations motivated to implement the real human rights and those of the peoples, namely freedom, independence, security, development of the human being, and the rights to work, to education and science, and to life. It was pointed out that the forces of the European left are called upon to provide realistic answers to all threats to man, to clarify the problems of the future, to act in close unity against the neofascist, chauvinist and revanchist attempts, and to anticipate the particular content of social progress in conformity with the prospects that the scientific-technical revolution is opening up for fulfillment of the personality and the prosperity of the peoples.

Elena Zamfirescu: The foregoing comments have presented, from various viewpoints, the fundamental correlation between the need of promoting new political thinking and the need of a new approach to international solidarity. I would like to note that essentially, the innovations in both directions, which are undergoing a devious and contradictory process of formation subject to the action of both objective and subjective factors, reflect a highly constructive trend for the greater power of diffusion and attraction of the socialist ideal. It is a matter of an increasingly apparent departure from the mechanistic, nondialectical view that time acts automatically in favor of progress with no consistent or regular effort on the part of the forces interested in and aspiring toward institution of the new kind of economic and political relations, both national and international, that can secure peoples' material and cultural welfare, develop democracy and favor renovation of society, establishment of peace, and the peoples' freedom and independence.

Of course the progress already made in adapting the revolutionary theory and the thinking of the communist and workers parties to the complicated, largely unprecedented realities of the close of this century is also due to

understanding of the fact that the unprecedented challenges to humanity from the contradictory developments of today's world preclude any "optimistic-fatalistic" waiting attitude. The efforts to renovate theoretically reflection and to discover the real face of the world of today clearly and responsibly with neither prejudices nor triumphalist illusions are main requirements for progress toward a future freed of the tensions and threats that are now interfering with the free and full assertion of the creative potential of the human genius. But the process of overcoming the present situations and the relative balance between the progressive, democratic and revolutionary forces and the forces opposed to man's progress is objectively impossible by theoretical procedures alone. It must also be an innovative, constructive and directly practical undertaking, implemented with behavior and attitudes that will benefit by the results of theoretical renovation to provide suitable forms of dialogue and collaboration among all forces of progress and peace, expediting their unification and thereby shutting off some of the "safety valves" thanks to which the conservative forces have succeeded and are still succeeding in interfering with contemporary history.

Therefore I think the new approach to international solidarity, which is an "operationalization" so to speak of the new political thinking, is necessarily correlated with it in two senses, partly because the new thinking is merely words or a declaration of intent unless it is converted to an actual practice of solidarity, and partly because it provides theoretical reflection with a direct basis for checking its viability while also opening up new horizons to it. I think it is in this light that we must interpret the RCP's continuing effort to closely connect the new political thinking with the new approach to international solidarity and to implement the new kind of relations among the communist and workers parties and among all contemporary democratic, progressive and revolutionary forces effectively as major requirements essential to international solidarity in the present period.

**Objective Necessity of Strengthening International Collaboration and Solidarity. Principles and Ways of Implementing the New Unity of the Communist and Workers Movement. Dialectical Correlation Between Independence and Solidarity.**

Aurel Zamfirescu: In noting the great revolutionary changes made in the world, the newly created worldwide situation, and the problems facing mankind, our party and its secretary general believe they all call for a greater role for the communist and workers parties in the peoples' struggle for freedom, democracy, progress, peace and disarmament. The communist movement is a powerful and influential political force today. While in the middle of the 1970's the communist and workers parties were active in 88 countries of the world and had about 50 million members in their ranks, in the middle of the 1980's the communists were active in about 100 countries and had over 82 million members.

Full exploitation of the revolutionary potential of the communist movement and of its ability to mobilize the masses' energies in the direction of a radical renovation of the face of the world of today, as well as the growth of its influence on the course of events, both in each country and on the world scale, increasingly depend upon consolidation, on a new basis, of collaboration and solidarity among the communist and workers parties and of relations between them and other revolutionary, progressive and democratic forces of today.

Ilie Seftiuc: While on the national level the unity of each communist party and expansion of its forms of collaboration and dialogue with the other progressive, democratic forces in its own country are important factors for enhancing the communist parties' historic role and for the victorious struggle for the renovation of society, it is no less true that on the international level equally firm measures must be taken to apply the new principles of relations among the communist and workers parties, with firm rejection of any outmoded forms of those relations among the communist and workers parties, with firm rejection of any principles or practices no longer suited to the present stage of socialist development and the international communist and workers movement.

Vasile Buga: The process of determination and formation of the new kind of relations among the communist parties was a devious one, taking place in the last few decades against the background of a powerful influence of the distortions and anachronistic practices of the period between the wars. Despite some parties' efforts to eliminate dogmatism and manifestations of voluntarism and subjectivism, the old hegemonic attempts and tendencies to interfere in the communist parties' international affairs persisted even after the dissolution of the various "centralizing" bodies that had taken upon themselves the task of "directing" the communist movement. In its turn the public dispute that broke out in the early 1960's among the parties in some socialist countries threatened a serious split in the international communist movement, with bad effects upon its prestige and upon the attraction power of the socialist ideal as well.

It is to the historic credit of the RCP to have firmly opposed the anachronistic ideas and practices concerning relations among the communist parties and to have militated very strenuously to stop the dispute, the mutual reproaches and name calling, and interference in other parties' affairs by initiating a number of measures to overcome the disagreements in the communist movement. After the Ninth Party Congress especially, the RCP under the leadership of its secretary general asserted itself more and more effectively as an active and consistent promoter of normalized relations among the communist and workers parties, based on new and authentically socialist and democratic principles and standards, and of a new kind of better and lasting unity of the communist movement.

Aurel Zamfirescu: The tendency to subordinate the parties' autonomy to the principle of internationalism and calling the effort to promote an independent policy "nationalism" or "national narrowness" had a profoundly harmful effect upon relations among the communist and workers parties. Firmly rejecting any such trend, the RCP and its secretary general pointed out that the new kind of unity, based on full equality and exclusion of any interference in other parties' internal affairs, is inseparable from the correct interpretation of the relationship between the national and international in the revolutionary movement, as well as the fact that the evolution of the communist and workers movement proves that there is a complete dialectical unity between revolutionary patriotism and international solidarity, since they are in no way opposed but condition each other.

Alexandru Lemneanu: Love of country and their own people and defense of their vital interests are actually basic characteristics of the communists and first requirements for international solidarity. No one can really be a revolutionary and internationalist who does not militate in defense of the interests of his own working class and his own people. Nicolae Ceausescu says, "unconditional defense of one's own country, sovereignty and independence is an elementary duty of every revolutionary and every communist." So far from meaning subordinating some people's interests to some so-called higher, general interests international solidarity primarily means fulfilling the obligations and high responsibility to the working class in one's own country and to one's own people.

Vasile Buga: I would note here that on the basis of its clear analysis of the lessons learned from the evolution of relations among the communist and workers parties, the RCP concluded that the principle of internationalism cannot be invoked as a reason for disregarding the other principles, and that the communist party's independence does not conflict in the least with international solidarity but, on the contrary, it is the unshakable foundation of the latter. As Nicolae Ceausescu says, "Manifestations of nationalism and national narrowness are foreign to the RCP and the Romanian people, while the ideas of international solidarity are dear to them...As Romanian communists, we are resolute defenders of our people's national interests, sparing nothing to accomplish socialist construction in Romania while we make our full contribution to consolidation of the worldwide forces of socialism and of the positions of communism in the world. As internationalists we are for complete and actual implementation of equality among nations and parties. In the future too the RCP will militate tirelessly for development of its ties of internationalist solidarity with all communist and workers parties, and it will always meet its obligations as a detachment of the communists' great international front."

Of course the process of normalizing relations among the communist and workers parties and strengthening their collaboration and international solidarity is impossible

without unfailing observance of the principles of full equality of rights, noninterference in other parties' internal affairs, and every party's right to form its general political policy and its strategy and tactics for the revolutionary struggle independently to apply the general laws creatively in accordance with the national and social realities in its own country. These principles are the only ones that can bring about productive collaboration, true international solidarity, and a new and lasting unity of the communist movement.

Alexandru Lemneanu: By its very nature international revolutionary collaboration, requiring the existence of independent parties with equal rights, is opposed to any subordination among parties, any hegemonist attempts, and any ideas on practices based on "formulation" of "directive" and "tasks" and determination of "general" or "single strategies." Past experience has also borne out the truth that differences of opinion between parties are not to be dramatized but must be considered natural phenomena inherent in such a far-reaching process as revolutionary social reform and must be resolved patiently through discussions between the parties and between the managements.

The process of normalizing relations among the parties in some socialist countries, as in other countries as well, which we are witnessing now demonstrates the viability of the foregoing principles and fully confirms the correctness of the position and the constant actions that the RCP and its secretary general have been promoting since the Ninth Party Congress in order to further the new unity and solidarity of the communist movement. There is a increasingly widespread understanding of the fact that, as our party keeps pointing out, the unity of the communist and workers parties will not mean any standardization and the unity does not in any way involve but definitely excludes any "hierarchization," any parties' interference in others' internal affairs, and any party's pretension to the sole holder of the "absolute truth" and to impose its stands and opinions on any question of the revolutionary struggle for socialism upon other parties.

Velicu Radina: Indeed in the struggle with the old ideas a new conception of the unity of the communist movement began to emerge that was based on all parties' full equity of rights, on respect for every party's independence and its right to determine its political policy and its revolutionary strategy and tactics independently and with no outside interference, and on mutual support and collaboration and solidarity. More and more parties are opposing the interpretation of the communist movement as a "world party" and as an organization managed from a center and based on subordination of the "minority" to the "majority," on classification into "superior" and "inferior" parties, on inequality and interference in other parties' internal affairs, on monolithism and formation of "single and obligatory general policies," etc.

The meeting in Moscow in November 1987 was an important step toward overcoming the old kind of relations and it confirmed the fact pointed out by Nicolae Ceausescu in his speech on that occasion that we are seeing in the evolution of the communist and workers parties "a new development of their ideological and political awareness that is in keeping with the new realities." But the process of renovation and of promoting new relations among all communist parties is complicated and contradictory and many efforts are still needed to fully correlate words and deeds and to generalize and effectively establish the new principles and standards of relations in the international communist and workers movement.

While criticizing all that was negative in the past in relations among the parties and endeavoring to place those relations on a new and truly democratic basis in forms suited to the present developmental stage of the communist and workers movement, the RCP and also favors extensive development of collaboration and exchanges of experience as well as consolidation of unity and solidarity among all communist and workers parties. The meetings of leaders of the revolutionary parties, exchange of views, and affirmation of positions in common on various important activities and on world problems have an important part to play in that respect.

Ilie Seftiuc: Friendship and collaboration among the communist parties are developed and strengthened in various ways in our times. As it has been noted in our discussion, bilateral contacts, meetings and conversations between party leaders, permitting first-hand information and direct and better knowledge of each party's stands. Meanwhile the multilateral meetings and consultations, especially; regional and international consultations and conferences, are essential to stronger unity and solidarity. Of course these must be conducted on a democratic basis, they must be intended for a free exchange of opinions and experience, they must be concluded without adopting obligatory documents, and they must not impose any viewpoints on other parties.

Alexandru Lemneanu: In our party's view, the importance of these manifestations and forms of consolidation of the unity and solidarity of the international communist movement also clearly follows from the reaffirmation of their necessity in the speech on 28 November 1988. The party secretary general said, "The RCP definitely advocates meetings among the communist and workers parties and especially regional or international conferences, considering them a necessity for enhancing the militant and aggressive spirit and for strengthening collaboration in order to solve the problems of today's world in a new way."

Ilie Seftiuc: I think another point that must be brought out is the fact that the RCP and Nicolae Ceausescu do not regard institution of the new kind of relations in the communist movement only as a mere effort to "correct" the old practices but also as an effective, objectively

necessary answer to the new problems facing the revolutionary parties. Therefore consideration of the realities of the present global situation and their effect upon the prospects of the revolutionary struggle and creative development of the Marxist theory are themselves major requirements for the new thinking and for promoting the new kind of unity and solidarity.

**Velicu Radina:** Experience shows the profound realism, revolutionary boldness and dialectical spirit with which the RCP approaches the problem of the present developmental stage of the communist movement and of humanity in general. The views expressed in Nicolae Ceausescu's speech on 28 November 1988 on the factors requiring redoubled efforts to strengthen the communist and workers parties' unity and collaboration on a new basis are conclusive in that respect. As he says in his speech, a number of problems have come up in recent years that require a new approach and a new interpretation of the great changes in the world and of the prospects of the revolutionary struggle. They all demand of every party and of the revolutionary forces everywhere a scientific, realistic analysis of the current problems in the spirit of the dialectical-materialist conception, a new policy and a clear perspective on the conduct of the struggle for progress, socialism and a better and more just world, as well as consolidation of the collaboration and solidarity of the communist and workers movement on new principles. The RCP secretary general says, "The present stagnation and even some regression in the communist and workers movement demand consolidation of collaboration and unity and intensive development of the militant spirit in defense of the masses' interests as objective necessities."

**Promotion of New Relations Among Socialist Countries Helps to Strengthen International Solidarity. The People in Each Country As the Sole and Supreme Judge of Party Policy. The Principles of the Revolutionary Theory Must be Creatively and Consistently Applied.**

**Mircea Nicolaescu:** In the 70 years and more since the Great October Socialist Revolution, a historic event of worldwide importance that inaugurated a new era in man's history, and in the 40 years and more since a number of other states took the course to a new order, socialism has been asserting itself more and more emphatically as a worldwide process and an enormous progressive political force in today's world. The historic progress made by the countries committed to construction of the new order and the prospects opening up to the peoples of those countries demonstrate, despite any attempts of antisocialist and anticomunist propagandists and to distort the actual facts, the effective capacity of socialism to modernize the productive forces on the basis of advanced science and technology, to open the way to the rapid and harmonious progress of society as a whole, to stimulate all socioeconomic development, to open up new horizons for the working masses' material and cultural welfare, to involve them in the task of

purposeful construction of their own future by constantly developing and improving the democratic structure for the participation in social management, and to gradually create the best conditions for development and fulfillment of the personality in close conformity with the values of revolutionary humanism.

The increasingly pronounced presence of socialist as the vital motive force for progress in our era does not come about automatically. But there is no doubt that the new social order is the only viable way toward fulfillment of the peoples' vital aspirations and construction of a better and more just world.

**Ilie Seftiuc:** Our party regards continuing consolidation of collaboration and solidarity among all socialist countries as one of the essentials for successful socialist construction in every country but also an essential source of the greater prestige and attraction power of socialism in the world. It is an objective that has been a fundamental point in the foreign policy consistently promoted by our party and its secretary general ever since the Ninth Party Congress.

As we know, the RCP has been pointing out that consolidation of the socialist countries' unity naturally requires recognition of the fact that socialism is achieved under very diverse conditions and that the objective laws and the principles of scientific socialism are applied differently by each party according to the particular, specific historical conditions and the stage of development. Just as there are and can be no patterns or formulas for improving the activity and eliminating any defects or difficulties arising in the development of socialist construction. Mimicry, copying results, and theoretical or practical deviations can do great harm to socialist construction. As Nicolae Ceausescu points out, experience emphatically bears out the truth, consistently brought out by our party for the last 24 years, that the party in each country and it alone has the inalienable right to determine its general political policy, and that the people in the respective country are the sole and supreme judge of any party's policy.

**Alexandru Lemneanu:** The Communist Party in any socialist country, which best knows the specific facts and conditions under which it operates as well as the particular requirements for development, consolidation and improvement of the new order in its own country, is clearly the only force invested by its people with the mission of managing their future and determining and implementing, in a regular dialogue with the working masses, the right measures to secure social progress and to solve the various problems arising in any field in any stage. As the RCP secretary general says about this, "It is no secret to anyone that there are different approaches to the problems of socialist construction. But we have been proceeding from the fact that socialism is built under conditions varying from one country to another and from one stage to another, and that every party and people choose the course of development that they

consider most appropriate. The true judges must be the people in each country and the facts and experience, which show and will show how far a given way has suited the situation and the people's aspirations to well-being and freedom."

Ilie Seftiu: Our people are faithfully serving the cause of socialism both through their heroic efforts to bring Romania up to new heights of civilization and progress and through the relations they are promoting with all socialist countries, relations based on unfailing observance of independence and sovereignty, noninterference in internal affairs, full equality of rights, friendly collaboration and mutual aid, and military revolutionary solidarity. In the course of building the new order, our party considers its own experience but also the experience of other countries and peoples, respects the strategic options for the other socialist countries' development, and rejoices in the progress made in every country committed to construction of the new order in demonstrating the superiority of socialism, while also cultivating confidence that every people and every communist party has the opportunity, power and ability needed to solve with their own forces the problems and contradictions that may arise in the course of an undertaking of such scope and extent as socialist construction.

While opposing the "single model" or revolution and socialism, the RCP also militates consistently to make relations among the socialist countries an actual exemplary prototype of new international relations. In this respect too the new order must make full use of its potentials by proving the unquestionable superiority of socialism by force of the facts.

In bringing out the full urgency of the struggle for socialism in today's world and accordingly that of the militant solidarity of all the forces fighting for social reform in his speech on 28 November 1988, the RCP secretary general stressed the point that "Even brief scientific analysis proves by force of the undeniable facts that capitalist society, which undoubtedly played an important part in developing civilization, can no longer solve the far-reaching political and social problems of today's world, nor can it make it clear to the workers and the peoples that historically it is the mission of socialism to build a new society that will solve the far reaching socioeconomic problems in a new way, by securing full equality of rights among all citizens of the respective countries with no discrimination of any kind and by creating a world in which every people and every nation can provide for their welfare and happiness in complete freedom but also in collaboration with all peoples of the world."

The socialist countries also have an important part to play in bringing about a new solidarity and new international relations, and they are called upon to confirm directly, both by their actual achievements and by the nature of the relations among them, socialism's innovative inclination in many directions.

Vasile Buga: As Nicolae Ceausescu says, the superiority of socialism is strikingly reflected in "elimination of the causes of the antagonisms among nations and of oppression and domination of some peoples by others, and in creation of an environment favorable to development of their national existence and personality and to solidarity and collaboration among states and among free and sovereign nations." In this view, the socialist countries are called upon to demonstrate the superiority of socialism both in socioeconomic development and in relations among states, and to prove the whole world with an entirely new model of international relations that will set an example for future relations among all states of the world.

Experience in socialist construction has demonstrated the objective necessity, as a basic requirement, of observing the principles of national sovereignty and independence, equality of rights, mutual benefit, noninterference in other states' internal affairs friendly mutual aid and international solidarity in relations among the states building the new order. The assertion of these principle and their practical application have been devious and contradictory processes, to be explained by a number of both objective and subjective factors. Overlooking or underrating historical transitions, disregard of distinctive national characteristics, and mechanical adoption of ways and means foreign to the conditions under which the new order is built have interfered in one way or another with some countries' independence and sovereignty, with bad effects on the international level.

In our party's view, the unity of the socialist countries and their government parties is a major requirement both for their relations and successful construction of the new order and for consolidation of the solidarity of the communist parties in general and also for information of the great front of all the forces of freedom, progress and peace. In his speech on 28 November 1988 Nicolae Ceausescu stressed the need for "the communist and workers parties in the socialist countries to strengthen their solidarity, collaboration and exchange of experience and to analyze the current and future problems of socialism from scientific, revolutionary positions."

Gheorghe Badrus: To be sure the new order cannot solve all the problems accumulated throughout historical development all at once. That takes time. The RCP secretary general says, "Difficulties arising in socialist development must not lead in any way to panic and loss of confidence in socialism and the forces of the people and the working class. In working for further improvement of socialism we must move forward, not back to capitalist methods." As he said in his speech on 28 November 1988, the communist parties in the socialist countries must firmly reject the tendency to regard any errors or defects as in the very nature of socialist society. They must give appropriate answers from revolutionary positions to the questions of socialist construction, they must open up clear and bright prospects for the task of building socialism, and they must work for unfailing

application of socialist principles throughout the efforts to build the new order, and for more and more intensive promotion of the revolutionary spirit.

Of course differing opinions and viewpoints may arise in the treatment of problems of construction and improvement of socialism or in the interpretation of worldwide processes and phenomena. The party feels these differences of opinion must be reconciled by mutually respectful theoretical discussions and must not weaken solidarity and collaboration. Experience has fully confirmed this fundamental position of the RCP, which has always stressed the necessity of consistent application of the new standards for relations among the socialist countries and to enhance the prestige of socialism in the world.

Ilie Seftiuc: In view of socialism's historical responsibility and the influence that it can and must exert upon world development, our party and state militate tirelessly to strengthen the socialist countries' unity, collaboration and solidarity in their struggle for the triumph of peace and socialism. As the RCP secretary general said in his closing speech at the Joint Session of the Plenum of the RCP Central Committee, the Democratic Bodies and the Mass and Public Organizations in November 1988, "I want to reaffirm Romania's decision to work with all forces for consolidation of all socialist countries' unity and solidarity in the future too. We must always bear in mind that it is only together, in complete solidarity, that we can create socialism...Alone, no one people and therefore not our people either can be assured of the progress and victory of socialism. Socialism can be only the outcome of the united efforts of all forces, of all peoples who have taken the course of socialism, and of people everywhere who want a better world and a world of social justice."

**Collaboration Among All Forces Is Critical to Progress and Peace. Need of Collaboration and Reconciliation of Communists, Socialists and Social Democrats. International Solidarity and Global Problems of Mankind.**

Velicu Radina: The great changes made in the world in the last few decades have brought about, among other things, a continuing diversification of the forces that can and should be cooperating to meet the requirements of historical progress. These forces are the direct outcome of the world situation today. But in the light of the same situation we must also bring out the fact that there are powerful forces that are still working against progress, freedom and peace and the interests and aspirations of humanity. The reactionary imperialist forces are trying to find new resources to prolong the existence of relations based on exploitation and domination both within the capitalist countries and on the international level. They hold important economic positions and have powerful political and military resources by means of which they are still succeeding in imposing their interests in various parts of the world and in influencing the course of events. It is accordingly a matter of forces whose

actions contrary to the peoples' interest and aspirations must be counteracted by the widespread solidarity of all elements that can help in one way or another or in one form or another to restrict the maneuvering power of those forces and to promote a new international policy of independence, peace and extensive collaboration.

Mircea Nicolaescu: For that very reason we must avoid restricting the aims of international solidarity and overlooking or underrating the fact that there are a number of other contradictions in today's world besides the one between capitalism and socialism, and sometimes they are even more acute. It is not accident that Nicolae Ceausescu stresses the fact in his speech on 28 November 1988 that ideological workers are expected to give clear answers not only to questions of "contradictions between capitalism and socialism" but also to those of "the contradiction between the 'third world' and the developed capitalist countries" because, as he points out, "the accentuated division of the world into two diametrically opposite groups, both nationally and internationally, is one of the main features of our period...The great majority of the countries of the world have been getting a poorer while a few developed states have been getting richer. This is aggravating the contradiction between the rich and poor countries which, moreover, is becoming the most acute basic contradiction of the world today."

Gheorghe Badrus: Therefore it could be said that without the most widespread solidarity in the effort to solve the series of man's global problems, the very struggle for revolutionary social reform would be impaired and would, in a way, lose its purpose. That struggle is not "parallel" but closely involved in the struggle against the armaments race, for peace and disarmament, and against underdevelopment, poverty and the threat of environmental deterioration, and it is finding a new basis and direct or indirect support in the forces militating for removal of these grave threats and for a better and more just world of peace and collaboration.

Alexandru Lemneanu: Indeed the effort on behalf of mankind's future calls for every closer collaboration among all forces opposed in one way or another to the policy of war and armament and to the structures and mechanisms of the present international economic and political order, who are working for promotion of the policy of independence, peace and collaboration among peoples. The party secretary general said about this that the question "How the 21st century will look" is "a major problem for all progressive parties and movements. We must do all we can so that the peoples will enter the third millennium with better prospects of entirely eliminating nuclear weapons, disarming, eliminating underdevelopment, building the new economic order, and establishing relations of collaboration and full equality among all nations of the world. That is the only way we will fulfill the people's aspirations and secure their free, independent and better future!"

Aurel Zamfirescu: United action of all working-class political organization and greater efforts toward solidarity and collaboration among the communist, socialist and social democratic parties are clearly becoming even more important under the present circumstances. As Nicolae Ceausescu said at the meeting in Moscow in November 1987 in reaffirming the RCP's stand on this matter, which was fully determined and consistently promoted in the years following the Ninth Party Congress, "We advocate expansion of contacts with the socialist and social democratic parties, both nationally and internationally. We are for extensive collaboration and a reconciliation, so to speak, between the communists and socialist in forming the great front of progress and peace."

Ilie Seftiuc: As we know, the RCP secretary general welcomed and supported the proposal made at the said meeting by the Flemish Socialist Party in Belgium to arrange a conference of the communist, socialist and social democratic parties and other political forces in Europe in order to discuss questions of disarmament on the continent and democratic development and consolidation of cooperation and security in Europe. Moreover the developments themselves within some socialist and social democratic parties are conducive to collaboration and an historic reconciliation among all working-class parties.

Elena Zamfirescu: Indeed, the positions expressed by most of the representatives of the socialist and social democratic parties at the Moscow meeting were conclusive concerning the said developments. For instance the delegate of the PSI [Italian Socialist Party] administration pointed out that under conditions of detente and peace bolder action can and should be taken to mitigate and eliminate the profound inequality between the North and the South of our planet and to do away with starvation and the armaments race. In his turn the secretary for international problems of the PSF [French Socialist Party] expressed the opinion that any considerable progress in disarmament, provided that the interests of all states' security are observed, will lessen the tension between East and West and enable the political leaders to give serious attention to one of the vital problems of the end of this century, namely the gap between the development of the North and that of the South. Moreover the representative of the administration of the Flemish Socialist Party in Belgium argued the need of organizing the above-mentioned conference, pointing out the necessity of enhancing the dialogue immediately between the socialist and communist forces and that between them and the other progressive forces.

It may be concluded that there are a number of both objective and subjective conditions in today's world that favor development of collaboration among communists, socialists and social democrats and the historic reconciliation for which our party has been militating steadily for more than 20 years, partly because both the communist parties and more socialist and social democrat parties and

the Socialist International are making a greater effort to resolve the great contradictions of the period in the direction of progress, and partly because the demand for collaboration between the communists and socialists is making itself heard more and more emphatically in most of the working-class political organizations.

Velicu Radina: That collaboration has become an objective necessity and an urgent requirement calling for sustained efforts on the part of all parties of the working class and making the position of the RCP and its secretary general particularly important. As the latter said in his speech on 28 November 1988, the RCP is in favor of development and consolidation of collaboration with the socialist and social democratic parties because they are objective necessities for the peoples' future and for the progress and peace of all mankind."

Mircea Nicolaescu: I would develop the idea of accumulating good reasons for collaboration between the communists and socialists by providing a few examples of some theoretical and political reconsideration determined in recent years in some socialist parties in Western Europe. I invoke again the proceedings of the symposium that I mentioned before. As their representatives at the symposium affirmed, the English Laborites believe the European left cannot overlook the American monopolies' aggression in Western Europe, involved as it is with the increasingly pronounced concentration and centralization of big capital in the Western European states, just as it cannot overlook the bad effects of militarization of the capitalist countries' economies. And as they also affirmed, the West German Social Democrats in turn are trying to craft a new party program because the hopes placed in the power of the scientific-technical revolution to change the nature of capitalist development have proved groundless. For example, the economic development stimulated by productivity growth has not eliminated unemployment but aggravated it, especially among youths.

At the Athens symposium which, of course, is only one of many recent meetings of this kind, nearly unanimous opinions and proposals were expressed to the effect that while keeping their political personalities and theoretical-identical natures, the parties and other organizations of the working class must develop collaboration with each other for purposes, among others, of supporting the antinuclear effort and the new social movements more actively and enhancing the militant power of the forces of the left accordingly. At present the problems of disarmament, especially nuclear, and removal of foreign armies from national territories are involved, in the joint actions of the broadest social forces, with those of increasing unemployment and socioeconomic polarization in the capitalist countries and those of aggravated foreign debt and underdevelopment in the "third world" countries. In fact it may be said that the internal and external factors for the solidarity of the advanced, progressive forces, whose revolutionary thinking should

assure them of the necessary theoretical support, are growing and interacting. Renovation of that thinking is an important factor for the perception of the people's efforts to meet the present requirements, and also for their possible increasingly active participation in determining the aims and direction of the states' international policies.

Elena Zamfirescu: The appearance of the new social movements in the West, whose efforts demands and actions coincide in many respects with those of the working-class parties, is one of the indications that solidarity cannot be regarded as a "given" with parameters set once and for all. Of course 20 years ago, when those new forms of sociopolitical activism had not yet proliferated among the developed capitalist countries, there could not even be any question of a dialogue or collaboration with them. But today they have acquired proportions and a significance that cannot be ignored.

In taking their stands the protagonists of the new movements prefer to speak of a rather abstract enemy, such as "industrialism, bureaucracy, established authority," etc., never naming the bourgeoisie and its privileged relations as the actual target of their protests, but that cannot raise any questions as to the ultimately anticapitalist content of their major demands because of their nature, when they express dissatisfaction with the effort to change the way of life prevalent in Western societies, in other words the actual, palpable effects of the capitalist form of social organization itself upon society as a whole, they are actually aimed at the structures and mechanisms on which it is based and the reasons why the old social system can meet only intermittently and partially at best the demands expressed by the new collective social actors. And in their turn the diversity of the latter's social base and its numerical growth indicate that the said effects affect a major proportion of the nonworker populations of the developed capitalist countries and are accordingly of the same nature as the maintenance and perpetuation of the given system.

Even though many of the social categories that are in the flux of the new movements are not subject to exploitation strictly speaking, or at least not in the "classic" forms that characterize the relationship between labor and capital, they are subject along with the working class to the domination of the groups that hold the reins of economic and political power. The interdependence between domination and exploitation is the main objective reason for the compatibility in principle between the new social activism and the direction of the action of the working class and its organizations.

Exploited (to varying degrees) or not, most members of the nonbourgeois categories bear (in some of the most diverse ways that often appear "without communication" among them) the consequences of domination by the forces interested in keeping the invariable structures of capitalism unchanged, including its "renovations" of one kind or another. Therefore making direct opposition

to exploitation the sole criterion for an anticapitalist potential would amount to an unwarranted restriction of the social base of the active or latent opposition to the given system, as well as a harmful one from the practical-political standpoint.

Meanwhile the particular difference between the conflict effected by the new social movements and that reflected by the class struggle is not to be disregarded. In this case too, as in many others, the attempt to force a "reduction to the common denominator" of the forces for change is not only wrong in theory but also nonviable practically speaking. The productivity of dialogue and collaboration among the various agents of social renovation critically depends upon comprehension of the fact that the anticapitalist opposition (that is its scope, the problems it calls to priority attention, its manifestations and its social base) is not something immutable laid down once and for all or an area with "no admission," but a reality in full motion that includes a multitude of ways of contesting capitalism. In other words it is a unity in diversity evolving along side the evolution of capitalism, so that neither the subjects of solidarity nor the interests governing the opposition to the old orders of the world nor the ways in which they are correlated are static or to be canonized as "sacrosanct, definitive formulas."

Understanding of that fact, which has the important premise of emancipation from restrictive views tending to reduce the anticapitalist opposition to the working-class struggle alone, is highly important in the case of contemporary Western societies, whose internal development unquestionably plays an important part in shifting the world balance of power. For only an all-inclusive understanding of the anticapitalist opposition can facilitate solidarity and collaboration between the two distinct but supplementary components of the opposition to the dominant structures in that area of the world and, accordingly, their mutual reinforcement and their counteracting of the attempts to perpetuate capitalism in new forms and at increasingly heavy human and social costs.

Mircea Nicolaescu: I too would emphasize the idea, which is basic and also scientifically substantiated in Romanian thought, that united action is not necessitated solely by class interaction and the confrontation between the proletariat and the bourgeoisie. It is becoming more and more evident that actually the confrontation that is determining the general framework of the effort toward both national and especially international social renovation goes beyond the bounds of class determinations and the antagonisms between the proletariat and the bourgeoisie. That confrontation is acquiring worldwide dimensions today to a growing extent, and it going on in the much more broadly defined area of unity and interdependence of a world where the peoples are participating for the first time in history in international affairs as nations and as independent and sovereign states. It is a unity characterized by a great diversity.

Gheorghe Badrus: I too share the opinion that the current facts and past experience indicate more and more emphatically that there is not just one kind of solidarity and that it does not involve just the socialist countries or the working class and its political and professional organizations alone. The process of forming and promoting some common interests of all humanity, which we might call humanistic or perhaps global, is becoming increasingly clear. Whatever we would call them, the common denominator of those interests is the necessity of securing the survival of mankind, the human species, threatened as it is by great perils, the most serious of which is self-destruction by the start of a nuclear war. A humanistic solidarity uniting people with various social positions and political, philosophical and religious convictions and of different races and ages on all continents and in all countries is being born and more and more intensively promoted on that ground. In the past war and especially a world war threatened one nation with destruction by another or one group of nations with destruction by another group, while today a world war, which would inevitably become nuclear, would mean the indiscriminate extermination of all peoples and all communities and individuals. Moreover the so-called local wars contain the seeds of great conflicts. In the fact of the danger of a nuclear catastrophe, the peoples of the earth have a vital and common interest in putting a stop to the armaments race, proceeding to disarmament, especially nuclear, eliminating weapons of mass destruction and conventional ones forever, and excluding war and force from international relations.

As the party secretary general has repeatedly pointed out, the vital problems of the present historical stage are starting disarmament, completely eliminating the danger of war, and securing the people's and people's supreme rights to existence, freedom and independence, life and peace. Under these circumstances the vital common interest in securing humanity's continued existence and the humanistic, global solidarity that it generates have, in my opinion, a certain priority over other forms of solidarity. To be sure it is not easy to foster, consolidate and assert humanistic solidarity among the peoples everywhere and in public opinion under the conditions created for many years by propaganda and indoctrination in the spirit of warlike fanaticism and the cult of force, but it is a first necessity and it also requires riddance of dogmas and old misrepresentations and adoption of a new way of thinking and acting guided, to be sure, by the major, constructive interest of all mankind.

In addition to the danger of a nuclear war and other threats, such as ecological ones, underdevelopment with its various effects and aspects, the problem of energy and exhaustion of nonregenerable natural resources etc. Have acquired global proportions and are affecting the situations, activities and futures of a great many peoples on all continents and practically all peoples. The global problems have given rise to some international interests.

Those interest and the solidarity that is arising in connection with the solution of the respective problems are in the humanistic or global category calling for unity and collaboration among all the progressive, advanced forces of our time and among all nations of the world.

Mircea Nicolaescu: In our times the particular resources for united, innovative action on the part of the progressive forces are generating the contradiction between the developed countries and the developing ones, which is now proving to be the gravest and most profound fundamental contradiction of our period. The "third world" countries' legitimate aspirations to build a new international economic and financial order is a demand closely correlated with the battle for social liberation waged by the working class and its parties. Essentially it is a matter of the struggle against exploitation of more than three-fourths of the peoples of the world by a limited group of rich and heavily armed states. Therefore, the international solidarity conceived and practiced by our party and state is making use of the convergence of interests between the struggle for socialism and social progress and the effort to do away with underdevelopment and neocolonialism and to build a new international economic order. Moreover experience has demonstrated the existence of major resources for the small and medium countries' united action, which are inherent in the contradictions among various states and groups of states, in the effort to abolish the policy of great power, force and dictation and to democratize the world and international relations.

Gheorghe Badrus: There is no question that the historical period in which we are living is the one in which increasingly extensive social and political forces begin to realize the necessity of solidarity and of common efforts toward common promotion of common ends. Yet we must not lose sight of the fact that there are still a number of difficulties in the way of achieving this solidarity and that they are of many kinds. Some are due to the activity of the reactionary imperialist circles, who are trying to forestall the solidarity of the advanced, progressive forces and who are afraid of it and see their own positions threatened by its achievement. That is an activity that certainly cannot be ignored or minimized.

Besides those difficulties which might call objective, there are also some subjective ones that are evident among the various social forces expected to form the broadest worldwide front for peace, disarmament and progress. This brings out even more emphatically the need of firm action to overcome the mistaken, restrictive interpretations of solidarity, because they involve the risk of misunderstanding the necessity of and also underestimating the importance of collaboration with all the advanced, realistic forces and of the particular part that each of the progressive, democratic and revolutionary forces has to play in the process of renovating the world. Therefore it is the duty of the communist parties and the socialist countries to take steps to make the common interests known of all those who are opposing the policy

of war, armament, imperialism and neocolonialism in order to do away with unjust relations among states and to assert all nations' right to a free and independent existence, peace and life. It must also be made abundantly clear that achievement of the broadest international solidarity does not depend on institutionalizing the forms of collaboration. The dialogue and collaboration are expected to represent some natural relations of solidarity based on mutual respect (even if there are different opinions on any given subject), observance of the autonomy of everyone of those forces, and noninterference in their internal affairs, and on the requirement not to try to impose any one ideology.

Velicu Radina: International solidarity is strong because it reflects unity in diversity. Observance of diversity and independence is a major prerequisite for the viability and productivity of the dialogue among the many forces that concur in today's world in promoting the requirements for social progress, peace and international understanding. The independent self-expression of each of them does not hinder but favors determination, beyond their differences, of their interests in common, which are the indestructible basis of the necessity and possibility of forging their unity of action.

It could be maintained that in a sense provision for peaceful coexistence and collaboration among all countries of the world to a great extent depends upon overcoming, within the wide range of the actual or potential forces of renovation, the old sources of misunderstandings and tensions. Those forces cannot impose a new kind of relations upon the world unless they practice them, especially in their relations with each other.

Aurel Zamfirescu: The RCP and its secretary general are unalterably convinced that by working together the socialist countries, the communist and workers movement, the developing countries, the socialists, the social democrats, the movements for national liberation, the democratic parties and the peoples everywhere can stop the outbreak of a world war, which would result in a nuclear holocaust, and can set a new course toward detente and confidence and bring about the triumph of understanding, collaboration and peace in the world. Accordingly, the RCP is working constantly for development of collaboration with all communist and workers parties, with the socialist and social democratic parties, with the government parties in the developing countries, with the movements for national liberation, and with all the realistic, progressive and democratic forces everywhere, regarding consolidation of their solidarity as an objective necessity in the effort to create a better and more just world of peace and collaboration on our planet.

Alexandru Lemneanu: Our party's international activity strikingly demonstrates the fact that one of its main characteristics, especially in the period inaugurated by the historic Ninth Party Congress, is its unremitting effort to keep strengthening its collaboration and militant solidarity with the socialist countries, with the communist and

workers parties, and with all revolutionary, progressive, democratic and anti-imperialist forces in order to fulfill the highest ideals of national independence and freedom, peace and social progress of all peoples. This firm and consistent policy of our party's reflects the continuity of some rich revolutionary traditions.

The whole history of the workers movement in Romania enters, in a prominent place on the brilliant page of militant international solidarity with the progressive revolutionary forces on all continents, the ties with Marx and Engels, the founders of scientific socialism; participation in the activity of the First International and later in that of the Second International and in various international congresses and meetings; the presence of the Romanian revolutionaries with arms in hand on the barricades of the defenders of the Paris Commune, the ties with Lenin and other Russian revolutionaries and those in other countries; the formation of the first revolutionary battalions of Romanian volunteers and their participation in defense of the gains of the Great October Socialist Revolution. The founding of the RCP enhanced solidarity with other communist parties and revolutionary movements. The RCP displayed its full solidarity with the revolutionary struggle of the Chinese people under the leadership of the Communist Party and organized the Romanian volunteers' participation in the battles in defense of republican Spain, and the years of World War II many Romanian communists and antifascists showed their solidarity with the peoples of Yugoslavia, Poland, Greece, Austria, Albania and other countries invaded by the Hitlerites. Many Romanian communists and patriots entered their names in the chronicals of the resistance movements in France, Czechoslovakia, Belgium and other countries.

In the years of socialist construction the traditional solidarity of the Romanian working class and its political party entered a qualitatively new stage and collaboration and solidarity acquired a new content, being implemented on some new principles in accordance with the tasks of socialist construction and the stage of the revolutionary process. In the years of the democratic revolution and later in those of the socialist revolution, the RCP militated consistently to strengthen fraternal ties with the communist parties in other countries that had taken the course of revolutionary reforms, welcomed with feelings of solidarity the victories won by the working class and workers in those countries, and militated to strengthen the unity and collaboration of the socialist countries.

It is an unquestionable truth that since the Ninth Party Congress, in the period while Nicolae Ceausescu has been at the helm of the RCP, the latter's entire international activity had been brought up to a new and qualitatively higher level. It is to Nicolae Ceausescu's historic credit that he boldly eliminated a number of outmoded theories about and narrow-minded approaches to relations among parties and solidarity in the revolutionary struggle for social and national liberation and for the triumph of the policy of peace and collaboration and the causes of socialism and progress in the world. In the last 24 years our party's secretary general had developed and determined an original

and profoundly revolutionary conception of the nature and manifestations of international solidarity, the scope and aims of its action, and the principles, standards and ways and means that will unite all revolutionary, advanced and progressive forces and all peoples on a new and more lasting basis. This conception is an important contribution to development of the revolutionary theory and to the enrichment of our party's political-ideological treasury and of advanced contemporary thought with new conclusions.

As contrasted with the dogmatic and narrow-minded political views, Nicolae Ceausescu appeals to all social and political forces interested in safeguarding peace and securing the nations' independence and mankind's progress regardless of political, philosophical or religious views, and to all peoples of the world to work in close unity for general disarmament, especially nuclear, for abolition of underdevelopment, and for construction of the new international economic order. As the party secretary general said from the rostrum of the great democratic forum in November 1988, we advocate "development of extensive collaboration with the national liberation movements, with the parties in the developing countries, with all democratic parties regardless of their conception of the world, and with all those who are opposed to war and in favor of development of relations among states and peoples on the principles of full equality and observance of every people's right to choose their course of development in freedom and with no outside interference."

The prestige of our party and its secretary general heavily depends upon the fact that Romania's international actions and suggestions concern the major problems of today's world, namely peace and disarmament, independence and sovereignty, and all nations' development and social progress. Our party's and state's procedures consistently pursue realistic solutions to these great problems confronting mankind, the resolution of which is vital to all peoples' progress and existence. Nicolae Ceausescu's many proposals and actions have a distinct impact in both Romania and the world, showing once again that the RCP is the standard-bearer of the nation's most advanced aspirations and is asserting itself more and more effectively as a tireless militant for social and national justice, for the solidarity of all revolutionary, progressive, democratic and anti-imperialist forces, and for all peoples' free and independent development.

**Danish CP Press Organ Defends Doina Cornea**  
36130067 Copenhagen LAND OG FOLK in Danish  
18-19 Mar 89 p 4

[Article by Per Krabbe: "Romania and Honduras—Are There Similarities?"; first two paragraphs are LAND OG FOLK introduction]

[Text] The Romanian peace prize recipient, Doina Cornea, is under house arrest and was unable to accept the 50,000 kroner in person. Her daughter, Ariadna Combes, accepted it on her behalf. She is shown here

[photo not reproduced] with Alba de Mejia, leader of the Honduran women's peace movement, "Visitacion Padilla," and the chairman of the Peace Foundation, professor Henrik Zahle, LL.D.

The Danish Peace Foundation saw a similarity between Romania and Honduras when they selected the recipients of this year's peace prize. Here the chairman of the Peace Foundation, Henrik Zahle, explains why.

The superpower theory was given new life the other day when the Danish Peace Foundation awarded this year's peace prize.

And the thing that attracted quite a bit of attention was that the Peace Foundation drew a parallel between human rights conditions in Romania and Honduras.

They did so in their selection of the recipients of the prize, the solitary Romanian human rights activist, Doina Cornea, and the leader of a Honduran women's peace group, Alba de Mejia. And so did the chairman of the Peace Foundation, professor Henrik Zahle, LL.D., in his explanation of the reasons for the selection.

We asked Henrik Zahle to explain how the two countries can be compared.

**In Shadow**

"We based this on circumstances on two different levels," said Henrik Zahle. "One is the relations between the superpowers, the United States and the Soviet Union, which are characterized by guarded optimism. Some results have been achieved on several points and there is hope for results on other points. But it is hard to predict how things will go and all in all it is hard for people—including the Peace Foundation—to do anything about it because it is happening so far away from the political scope of ordinary people."

"Then there is another level where something quite different takes place which is partly independently of the high negotiating level of the superpowers. And we Peace Foundation board members feel that is something one can find with respect to both the U.S. role in Honduras and the Soviet Union's responsibility for Romania."

"The direct parallel is that a policy is being pursued within some limited areas that is ruthless to individuals and violates both basic requirements for living conditions and elementary human rights."

### Human Rights

And the Peace Foundation found examples in such source material as Amnesty International's reports and western newspaper and news bureau reports from Romania and Honduras of what Henrik Zahle calls violations of basic requirements for living conditions and elementary human rights.

The Peace Foundation referred to reports of appalling living conditions in Romania. Where the meat ration is half a kilogram per month, where the standard of living has declined sharply since the beginning of the 1980's, where homes may not be heated above 14 degrees, where hospitals are reserved for patients under the age of 70 and thousands of villages have been eradicated because the government has decided to wipe out the foreign debt at record speed.

Reference is made to charges that schools and universities for ethnic minorities have been closed, that minorities are being forced to relocate, that steps have been taken against religious leaders who fail to pray for President Nicolae Ceausescu and the Communist Party, that private individuals are not allowed to own typewriters while intellectuals must turn samples typed on their machines over to the police and that Romanians must report to the authorities within 48 hours if they have had any contact with foreigners.

### French Reaction

The Peace Foundation also cited reports that special "gynecological" police supervises the course of women's pregnancies out on the job because since 1984 all married women have been required to bear at least four children.

The latest example of the difficult human rights conditions involves freedom of speech. Reuters, the British news agency, credited diplomatic sources in Bucharest Thursday for reports that the authorities have arrested former ambassador Silviu Brucan because he and five others—said to be communist veterans—protested against human rights violations in an open letter to Ceausescu.

The French government reacted by recalling its ambassador.

### Honduras

The situation is no better in Honduras. Again the sources include Amnesty and journalists and again it is poverty—the worst in Central America—and human rights violations that leap to the eye.

The democratic struggle here is largely directed against the U.S. military and economic presence, due to its support for the Nicaraguan contras.

Under cover of this support Honduras has experienced a wave of repression, according to the Peace Foundation. Thousands have disappeared or have been murdered, jailed and tortured and Amnesty reports signs of a new escalation of the terror.

LAND OG FOLK recently described these conditions, especially the new right-wing wave of terror, in articles from Honduras.

### No Difference?

However Peace Foundation chairman Henrik Zahle does not ignore the fact that there are obvious differences between Honduras and Romania:

"Naturally we are not unaware of the fact that what is going on in Romania is something we have every reason to believe the Soviets disapprove of."

"And here the situation is different from Honduras. We have reason to believe that the United States supports what is happening in Honduras."

Despite the differences what is taking place in Romania today cannot be explained without also looking at Romania's past history, according to Henrik Zahle. And that is undeniably very closely linked to the history of the Soviet Union. And to a large extent the regime in power in Romania functions on terms set by the Soviet Union.

In this context it is sad that people in Romania are not experiencing the same development the Soviets are experiencing, Henrik Zahle said.

## GERMAN DEMOCRATIC REPUBLIC

### Classification of Hydroacoustic Interference Signals Cited

23000153a East Berlin MILITAERTECHNIK in German No 2, 1989 pp 93-94

[Article by Commander H. Hessler: "Hydroacoustic Interference"]

[Text] One task of the hydroacoustician is to extract the signal out of background interference and noise. Existing interference and noise limit the possible application of hydroacoustic signals. Effects on the receiving channel, on signal manipulations and on the signal's bearing indicators are all understood by the term "interference."

Interferences and noises of the widest variety have effects in hydroacoustics. Figure 1 shows one possible classification system for hydroacoustic interference. Those listed here exclude intentional interference (as in electronic warfare). Such interferences represent a special circumstance and should not be further considered. It appears sensible to classify unintended interferences according to origin and their relationship to the signal.

### 1. Source of Hydroacoustic Interference

Hydroacoustic interference can be subdivided according to origin into ambient noise and self-generated noise.

#### 1.1 Ambient Noise

Natural sounds of the medium are classified as ambient noise. In lake water (Baltic conditions), ambient noise at a given frequency is a mix of three fundamental factors. These are the dynamic, biological and operational noises. The major sources of ambient noise are surface noise, breakers and rain, the thermal, terrestrial and biological noises and interference from use of the seas.

Surface noise is caused by wave movement on the water surface. It is the dominant noise in open seas and spans the frequency range from 0.1 mHz [megahertz] to 50 mHz. For its size, atmospheric conditions (wind strength, rain intensity, etc.) play a major role.

Noise from breakers appears primarily in flat coastal areas and depends on local conditions. It is also classified as current noise.

Rain noise creates interference in the frequency range from 0.1 and 100 kHz [kilohertz]

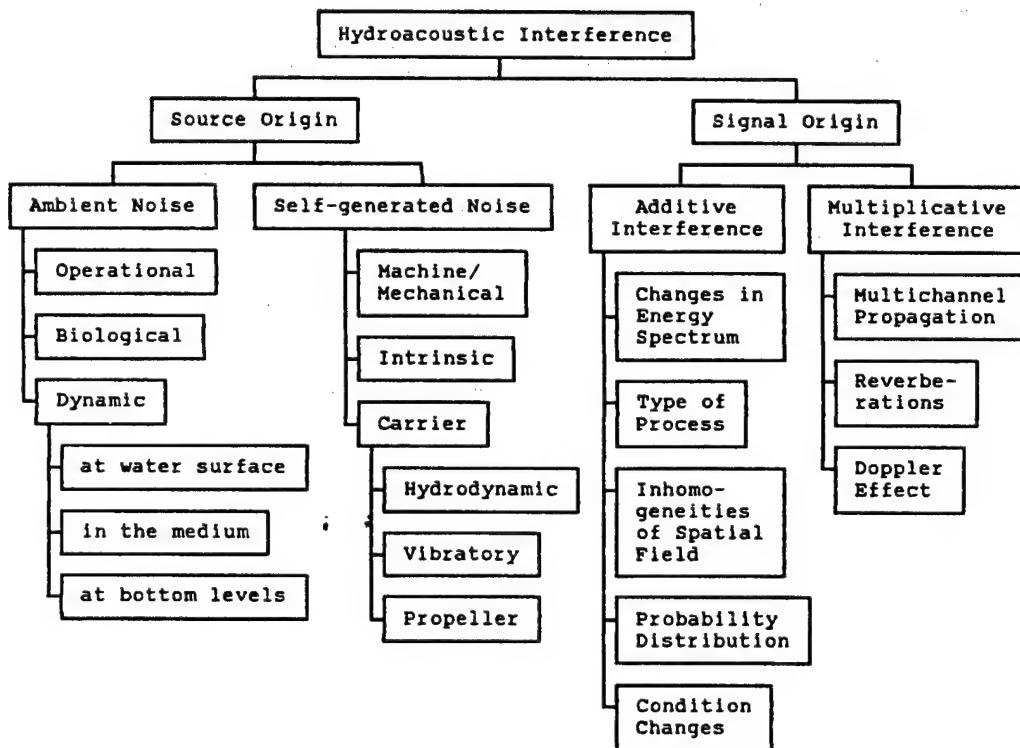


Figure 1. Possible Classification of Hydroacoustic Interferences (without representation of interferences related to electronic warfare)

Thermal noise, determined by molecular movement in water, is the strongest source of noise above 50 kHz in deep water.

Terrestrial noise includes earthquakes, volcanic eruptions and distant storms. Its frequencies lie below 1 kHz.

Sea life gives rise to biological noise which can have noise levels above that of surface noise in calm waters.

For a large group of tasks and given a prescribed degree of accuracy, ambient noise can be considered stationary for a period of 10 to 20 seconds for practical purposes. This period can often be up to a few minutes in length. For longer periods of time, however, ambient noise may be considered nonstationary and random. This is caused by the variability in the individual sources of noise.

## 1.2 Self-Generated Noise

Self-generated noise can be classified as interferences from equipment and mechanisms necessary for the operation of the ship, from carrier noises created by the ship moving in the sea, and from internal noise generated by the hydroacoustic equipment in use itself, or other such equipment.

Ships, submarines and torpedoes represent strong sources of noise. Their hydroacoustical interference signals are radiated out as well as received by sound panels installed on these objects. Among the interferences caused by engines and equipment, main engines, auxiliary engines, winches, pumps, compressors, transmissions, electric motors, shafts, capstans, etc. are counted most. In most cases, the engine and propeller noises dominate. Their intensity is dependent upon frequency, ship speed and the water depth.

The data published in literature are for obsolete ships. To accomplish the special missions of our day, they are practically unusable. Data usable for these purposes are only available in the on-board documentation. It is generally determined that at lower ship speeds, engine noise dominates.

At higher speeds, propeller noise and hydrodynamic noise both increase. Although the propeller is a component part of the drive system, the propeller noise has other physical causes and other spectra than engine noise. The latter are within the hull: the propeller noise on the other hand is outside the hull. The primary cause of propeller noise is the cavitation on the rotating propeller.

Noise from water streaming around the hull is a significant portion of the hydrodynamic noise. This results primarily from the turbulence in the contact layer of the moving ship and in the swirling on rough surfaces around which the water is streaming. The appearing turbulence and whirling lead to pressure fluctuation along the active sound panel and appear as noise.

In contrast to ambient noise, self-generated noise can be influenced, for example with a streamlined antenna housing, with precise location of antenna mounting, with the application of noise-isolating materials, and so on. In military practice, in order to escape the existing noise field and to reduce the effects of noise, submersible towed and dragged antennae (line antenna of around 1,000 ft in length) are used along with the hull-mounted antenna.

## 2. Signal-Related Hydroacoustic Interference

Evaluation of Interference Control demands that the source of interference is identified and the interference's connection with the signal is investigated. Accordingly, the distinction is made between additive and multiplicative interference.

### 2.1 Additive Interference

The totality of independent elements of the signal and interference is considered additive. All the additive interferences which appear and their parameters are not tied with the elements of the signal, and so they are independent of the signal. They always exist in the receiving channel.

The interferences observed in Point 1 can be so described. They represent the result of the combination of isotropic and anisotropic noise fields of the surrounding noise as well as the self-generated noise, and change in their influence in some qualities and characteristics. So they can be subdivided according to the character of the energy spectrum into fluctuating (noise from main and auxiliary engines, hydrodynamic noises, cavitation, etc.), impulse (created by the sonic depth finder and other equipment), and harmonic (smaller, larger, or the same signal spectrum) interferences. "Type of process" can be divided into stationary and nonstationary. Because of the large area and time changes in the interferences described in Point 1, they are considered nonstationary over a longer period of time.

The probability function is dependent upon whether only noise (Gauss distribution) or both signal and interference (then for example Rayleigh or Rice distribution) are present.

The current changing relationships can be described with the coefficients of coherence and the correlation.

### 2.2 Multiplicative Interferences

Multiplicative interferences are created in nonlinear transmission, when mixed products are formed. They result from the carrier function of a system and represent deforming interferences. In contrast to the additive, the multiplicative interferences are dependent upon signal parameters. Multiplicative interferences come from multichannel propagation, reverberations and the Doppler effect.

Multichannel propagation of a hydroacoustic signal begins when the signal confronts regular inhomogeneities (rapid changes in temperature, density or salt concentration), and positive and negative refractions are the result. Further, the sound waves are reflected off the water surface and the water bottom. This leads to apparent interference (either amplified or weakened) at the receiving point.

The multichannel characteristics are of a specific nature. They are weakened with the help of filters and other elements, whereby the specified swelling factors are continuously observed.

Reverberations refers to the total dispersion caused by the inhomogeneities in the water. It is commonly known that water and its boundaries exhibit many inhomogeneities (air pockets, pollution, suspended chemicals, uneven water surface, uneven floor, inconsistent temperature field, sealife, etc.)

These inhomogeneities, which limit the continuity of the physical properties of the medium, intercept a portion of the propagated energy and disperse them unevenly into the medium. There is a distinction between volume, surface and floor reverberations. In actual conditions, they exist simultaneously, whereby one reverberation type or the other can dominate depending on application conditions, hydrometeorologic conditions or the region of the sea.

The Doppler effect reflects the influence of relative movement between the object and the medium. It has great significance in hydroacoustic orientation and cannot be ignored. Movement of the object or the medium changes the signal duration and running time as well as the frequency. The frequency change is used to determine the radial component of the target's speed vector.

#### Closing remarks

The presented hydroacoustic interferences make the life of the hydroacoustician on board more difficult. The hydroacoustician is confronted with the appearance of these problems in his work. He must effectively select and use the control functions available to him in order to minimize the influence of the interferences on the hydroacoustic information indicators.

It is not possible to give a general algorithm, because of the observable stochastic character of incidents (of interferences). It is a basic prerequisite, however, that the sound wave propagation conditions are determined in concrete operational areas. (see A292/1/003).

The hydroacoustician has many optional methods, depending on the particular equipment characteristics, of reducing the effects of interference. He can select the angle of ray reflection depending on the type of refraction and operational depth, and so reduce the influence of reverberations. Further, he can vary the signal strength (either 100 percent or reduced), change the impulse length (short or long), employ various types of propagation (directional, nondirectional, sector propagation), and use several types of signals to be sent (tone signals or FM signals). Finally, he has the ability to employ depth and length of time-dependent amplifications depending on the appearance of interference, as well as the hand control of amplification.

It is to be observed that the possibilities presented here are to be considered in context with one another. The hydroacoustician can only effectively deal with interference when he recognizes the interference's character and compensates for the possible influence on the quality of directional information.

## HUNGARY

### 1988 Enterprise, Cooperative Profits, Losses Reported

25000194b Budapest FIGYELO in Hungarian  
6 Apr 89 p 5

[Article by Dr Dezso Suto: APEH Flash Bulletin: Losers and Winners"]

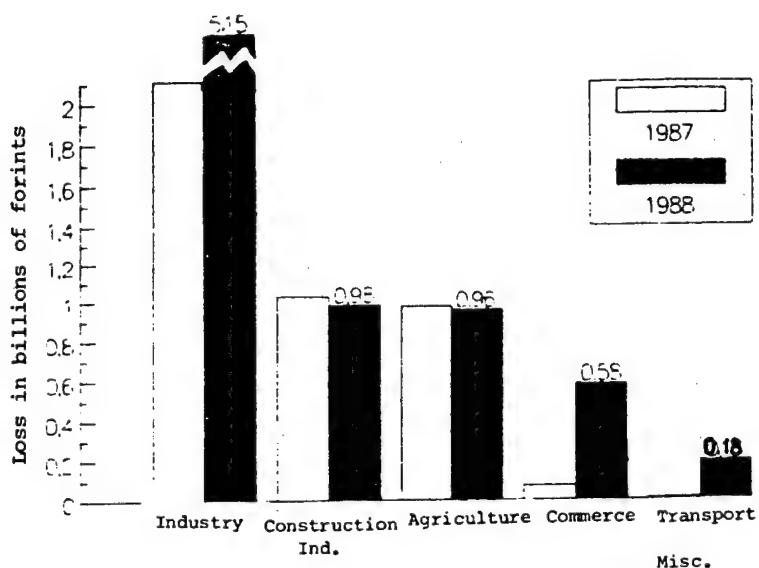
[Text] Contrary to projections made during the year, 1988 financial reports show that the taxed resources of enterprises and cooperatives increased as compared to the previous year. On the basis of a quick computer summary produced by the Tax and Financial Control Office (APEH) one can see that last year's financial reports signal a financial situation which is gradually becoming differentiated, and that taken as a whole the income situation of enterprises and cooperatives turned out better than planned.

increased by more than 14 percent, while the sales volume of consumable goods significantly decreased. A reduction in demand for which payment may be expected decreased primarily in the clothing manufacturing and sales sectors. Taken together, the stagnating sales revenues of domestic commercial enterprises and cooperatives—after allowing for double digit inflation—represents a decrease in the natural sales volume, a moderation of domestic demand. This is also indicated by growing inventories.

Agricultural producer sales increased by 3.5 percent. Forest product sales increased by 9.2 percent—an above average improvement. Producer cooperative sales revenues exceeded state farm sales revenues by 1 percent.

In industry net sales revenues increased by 3.8 percent over the previous year. Export orientation may be seen from the convertible currency export record of enterprises and cooperatives. While industrial enterprise

AMOUNT OF LOSS IN 1987 and 1988



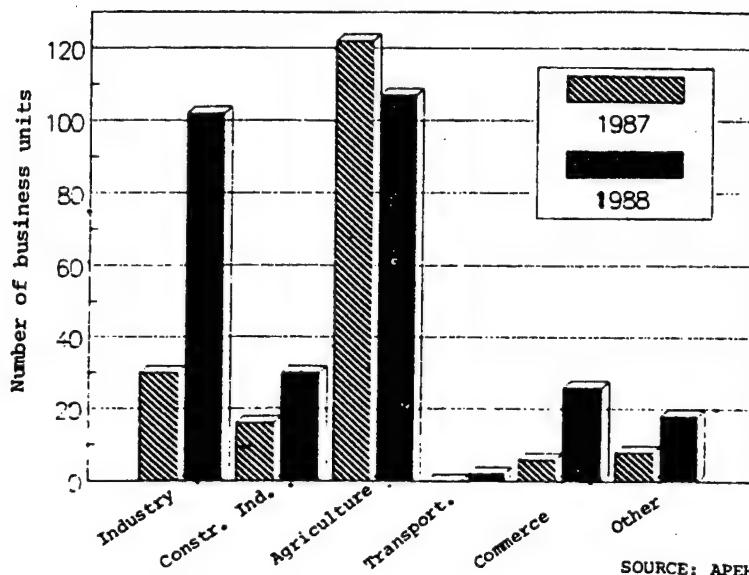
Enterprises and cooperatives increased their sales volume last year. Net business sales revenues increased by 4 percent over the previous year. In the material branches of the people's economy sales revenues increased by 2.4 percent. Only the construction industry experienced a reduction in the sales volume, and the most dynamic growth—8.4 percent—can be seen in the transportation and communication industries.

Commercial sales volumes remained at 1987 levels, but within that differences between sub branches are significant. Wholesale means of production sales revenues

domestic sales revenues remained unchanged as compared to the previous year, and revenues generated from exports accountable in rubles decreased by 2.8 percent, non ruble export sales revenues increased by 28 percent. A 30 percent increase in chemical industry exports, and a 56 percent increase in foundry industry exports stand out. As a result of extremely favorable price changes relative to certain iron foundry and aluminum industry products the export sales revenue surplus subject to convertible currency settlement doubled as compared to 1987 in the foundry industry.

Within people's economy exports subject to settlement in currencies other than rubles show a dynamic increase,

NUMBER OF LOSS OPERATIONS IN  
1987 and 1988



SOURCE: APEH

surpassing planned levels. The most significant positive aspect of 1988 business management is that total export sales revenues in the form of convertible currencies represent 125 percent of the same revenues in the previous year. The approximate amount of 50 billion forint non ruble revenue surplus may be attributed to external and internal effects, as well as to governmental action, in addition to efforts exerted by enterprises. (e.g. the foundry boom, the devaluation of the forint, various incentive systems, the holding back on domestic sales, etc.) In several instances one can also observe the strengthening of a quantitative outlook.

#### A Profit Surplus—As Compared to Planned Levels

One of the fundamental requirements established by the people's economy plan was not to decrease taxed business resources as a result of the new tax system. By terminating several types of taxes, and by reorganizing the tax structure the plan called for a 43 percent reduction in profits earned by enterprises and cooperatives. After all, by 1988 there were no wage taxes, estate taxes and accumulation taxes, and in the context of the excise structure the earnings tax which dropped to barely a quarter of its previous level would have increased resources that remain available to enterprises.

Contrary to the plan, the resources that remained within the material branches expanded despite the fact that the remainder after taking into consideration profit taxes decreased by 15 percent. In addition to amortization resources, the nondeductible part of the sales tax—which, in 1988 represented a 20.7-billion-forint temporary tax burden—made up the comparative amount of

resources. In the final analysis the taxed resources remaining in the material branches of enterprises and cooperatives came close to 170 billion forints, according to the financial reports. The amount of the remaining taxed resources is larger by 11.5 percent than it was in 1987, based on a similar method of calculation.

Essential changes can be discovered in last year's income conditions of enterprises and cooperatives. One can assume that these changes are largely the results of a changing business environment. Based on a summary analysis of the financial reports, from among these the effect of tax reform is most significant.

With the introduction of the personal income tax system the amount of wages shown in enterprise budgets has increased. Net income realized by business organizations has decreased, and this is primarily true in regard to profits. Within the people's economy profits decreased by 20 percent in 1988, as compared to 1987.

Taking into consideration small organizations subject to a simplified method of calculation, the profits shown by enterprises and cooperatives is almost 70 billion forints higher than planned. As a result of several unexpected, favorable and unfavorable effects, as compared to 1987 total profits declined by only 20 percent. In the material branches of the people's economy profits exceeded 1988 planned levels by 33 percent.

A more moderate than planned decrease in profits and the favorable situation of remaining resources manifested itself in branches in which the obligation to pay taxes was significantly reduced or terminated as a result of 1988 regulatory changes.

It is characteristic that this feature prevailed to the least in agriculture and forestry. In these branches profits exceeded planned levels only by 11 percent, and were 16 percent less than in the previous year. Contrary to the general trend, remaining taxed resources declined by almost 4 percent as compared to the previous year.

#### Expanding Resources

It is characteristic of the differential effect produced by the tax system introduced last year, and by the related pricing mechanism that commercial businesses altogether realized 34 percent more profits than planned. This amounts to 23 percent less profits than in the previous year. The remaining taxed resources increased significantly, they exceed base year levels by 30 percent.

Within the growing differentiation among business organizations, shifting ratios that can be seen in industrial branches follow the trend manifested in previous years. Within industry, profits earned by materials producing branches increased (by 32 percent in the foundry industry,) or declined by far less than planned. On the other hand, profits recorded by the processing industry moderated significantly, even though they exceeded planned levels everywhere.

The total amount of last year's profits recorded by industrial business organizations is 32 percent less than a year before. The rate of reduction is largest in the machine industry (-49 percent) and in the light industry (-46 percent).

In addition to profits earned, the economic situation of enterprises may be characterized also by changes in leftover resources (taxed balance + amortization).

After deducting taxes, the resources left over at the enterprises amounts to 194.3 billion forints, or 16.6 percent more than in 1987. Remaining resources expanded despite the fact that the total taxed balance after paying profit taxes was reduced to 116.8 billion forints, or by 18.8 percent. Amortization increased by 4 percent and thus reached the 105.7 billion forint level. While in 1987 earnings taxes, wage taxes, estate taxes and accumulation taxes totaled 78.3 billion forints, in 1988 earnings taxes and nondeductible sales taxes on investments amounted to only 28.2 billion forints. In the final analysis, it is for this reason that leftover resources expanded by 27.6 billion forints.

Except for agriculture, leftover taxed resources exceed leftover resources in 1987 in every branch of the people's economy. In general, the resource situation evolved favorably in people's economy branches in which large volume tax obligations ceased to exist as a result of 1988 regulatory changes. Compared to the previous year, taxed resources increased in industry by 10 percent, and by 23 percent in commerce. Significant surplus resources manifested themselves also in the construction and transportation industries.

#### Growing Number of Minuses

Despite the fact that the situation of enterprises was better than planned, business organizations manifested a more forceful differentiation than earlier. The number of losing business organizations has increased from 182 to 285, and so did the amounts lost as shown in balance sheets. (Agriculture constitutes an exception. Losses decreased by 11 percent.) The total amount of losses is almost double the amount recorded in the previous year, and significantly exceeds planned loss levels. At the same time, except for agriculture, more than one third of the loss operations consisted of organizations newly established in 1988.

Strong polarization among losing businesses is shown by the fact that two thirds of the loss is concentrated within a mere 15 enterprises. A majority of the businesses experienced relatively small losses of less than 10 million forints. The largest losses are shown by Labor Instrumentation Works, Medicor, the Hungarian Ship and Crane Works, the Budapest Leather Industry Enterprise, and by the Pest County State Construction Industry Enterprise.

From among the factors that contributed to these balances the crucial role played by the increased ratio of wage expenses is noteworthy. Considering the "grossification" of wages, wage increases in the course of the year and related personal income tax increases, as well as the close to 5-percent average work force reduction, wage expenses in 1988 exceeded similar expenses in the previous year by 22 percent. In the context of all production costs, the ratio of wage expenses increased by about 2 percentage points. In the mining, electrical energy generating, chemical and food industries wage expense increases were higher than average. They amounted to 30 percent.

An 11-percent increase in the so-called undistributed expenses of business organizations served to deteriorate the balance. Fundamentally, within this increase the dynamic increase of banking expenses is noticeable. In commercial enterprises undistributed expenses increased by 25 percent, and within that, banking expenses increased by 37 percent. Material and energy costs increased by barely more than 1 percent.

Similarly, a high, 12-percent increase in so-called other expenses incurred by business organizations also served to deteriorate the balance. The fact that other expenses having a character of wages significantly increased by 34 percent is a change in the composition of expenses worthy of note also in the future. From the total approximate amount of 7 billion forints in increased expenses, other expenses having the character of wages increased by 150-200 percent in individual branches.

The intensive increase in banking costs suggests changes in market conditions. Banking expenses incurred by businesses in the material branches exceeded similar expenses in the previous year by 28 percent, which translates into 15 billion forints of added expenses.

The balance was also affected by changes in the profitability of exports. The export margin ratio dropped by 3.5 percent in regard to transactions accounted for in rubles, and by 1.5 percentage points regarding convertible currency exports. Quite obviously, deteriorating profitability could have been offset only by supplemental added exports. In 1988 subsidies were reduced by 7.2 percent, but so did contributions to the state budget. Thus, in the final analysis the amount of net contributions decreased by 10 percent.

#### More Accounts Receivable

The effects of monetary regulation are reflected in cash flow changes at business organizations. The amount of available cash decreased by 18 percent. The relative availability of cash, as compared to the previous year, represents a decrease of 23-25 percent in certain industrial sectors, while in others (metallurgy, food) the available cash increased significantly.

The significant increase in the number of buyers within the accounts receivable category suggests relaxed payment discipline, rather than accelerated economic processes. In essentially every branch of each material branch the total amount of domestic accounts receivable has increased by 50-70 percent. But the 20-percent increase in foreign accounts receivable also indicates an expansion of mercantile credit. This is proved by the fact that overdue accounts receivable doubled (particularly in the food industry and in agriculture).

Inventory management has deteriorated. This had an adverse effect also on cash flow. The total value of inventories increased by more than 10 percent. Purchased stock increased by 12 percent, and within that, consumable goods inventories by 19 percent. All this has to do with the reduction of demand which is prepared to effect payment.

The amount of securities investments increased in 1988 in a dynamic fashion, multiplying by 1.5 to 2. Within securities investments money tied down in stocks tripled. In material branches the amount quadrupled, while in industry one discovers a five fold increase. Transforming not collectible receivables into stocks is a frequent phenomenon. Foreign investments barely changed.

The gross value of fixed assets expanded by 6 percent in 1988. The gross/net ratio of fixed assets shows a further deterioration. At the level of the people's economy the reduction amounts to almost 1 percent, while it is even greater in industry. The closing value of investments was 10 percent higher than a year earlier. The increase is above average in the food, light and building materials industries, as well as at the postal service and in the long distance communication branch. According to the balance sheets the value of all investments, both in the material branches and in industry expanded by 13 percent.

In the material branches of the people's economy liquid resources expanded by 27 percent. Within that, the value of current assets credits declined by 17 percent. Within the foundry and machinery industries, as well as in transportation current assets credits declined by almost half.

The fact that credit practices have evolved into a colorful variety can be seen from the increased number of factoring businesses and the increased amount of debts backed by notes. It is by all means a negative phenomenon that the amount of taxes owed increased by 23 percent, and that such debts represented a surplus to material branch businesses in current resources amounting to 13 billion forints.

Based on the financial reports, at the level of the people's economy the net balance of enterprises and cooperatives in 1988 amounted to almost 60 billion forints, while their own assets increased by 100 billion forints.

#### Economist Disputes Latin American Economic Model

25000192 Budapest KOZGAZDASAGI SZEMLE in Hungarian No 4, 1989 pp 468-473

[Article by economist Dr Laszlo Arva: "Bureaucratic Authoritarianism as the Highest Level of Socialist Economic Reform?"]

[Text] Latin American bureaucratic-authoritarian systems have several features similar to those of a possible socialist reform dictatorship. According to research findings on bureaucratic-authoritarian systems there is great probability that "expert dictatorships" evolve in countries at the threshold of changing from import substitution industrialization to export oriented development, and where at the same time it is impossible to formulate and to consistently implement within a traditional democratic framework an economic policy that leads to export oriented development by way of reducing subsidies, significantly devaluating exchange rates and establishing conditions attractive to foreign capital, because of the growing aspirations of the so-called popular sector.

To what extent do East European socialist countries experience a similar situation? Would an "expert dictatorship" indeed prove to be an effective solution? The following discussion seeks answers to these questions.

In recent months a suspicious, uniform enthusiasm for reform characterized the Hungarian public mood. Kinds of circles, groups, persons turned into "reformers" and "democrats" of whom no one would have expected to do so. We may witness similar incarnations in these days in other socialist countries.

The fact that everyone becomes a reformer once "reform" becomes official is fully consistent with decades of tradition. Insiders could also guess who will view both reform and democratization from an arch

conservative viewpoint. In these days, however, we are also able to track the discrete evolution of the outlines of yet another viewpoint. This one is unusual. The image of the "third alternative" may be composed slowly based on casual remarks by members of the intelligentsia in the corridors of government centers and institutions.

A growing number of people define a viewpoint which, for the time being and understandably cannot be declared. According to this viewpoint they have no problems with economic reform, but are sincerely concerned about the confusion created by political transformation. Among technocrats one finds an evolving consensus whose basis is that there would be a need for some kind of a "reform dictatorship," a "government composed of experts to establish order." They like to invoke the examples of South Korea, Turkey and a number of Latin American countries in which—as they say—military dictatorships allied with the technocratic elite achieved convincing, successful economic results.

In any event, this choice of values reveals much about the "third alternative" platform. Incidentally, it is difficult to examine this platform until its representatives come out in the open. The following political science sketch may point to similarities between the evolution of the fate of Latin American and East European societies, of which the advocates of the above mentioned viewpoint have not even thought of.

#### The Evolution of the Classic B-A Systems in Latin America

Toward the end of the 1960's and in the early 1970's a certain type of political system evolved in several Latin American countries, which, at first sight bore the marks of traditional military dictatorships we were accustomed to on that continent. On further examination one finds however, that these systems differ from the traditional pattern both with respect to the social strata that acquired power as a result of a coup d'etat, and the economic policy these strata endeavored to realize. Most likely it was Guillermo A. O'Donnell who coined the term "bureaucratic-authoritarian systems" (hereinafter we will use the internationally accepted abbreviation "B-A systems") to designate this new type of military dictatorship, and was first to describe their evolution and functioning. (See: O'Donnell, G., 1973.)

In O'Donnell's view the B-A systems represent the third stage in Latin American political development, following the oligarchic dictatorships and the (largely democratic) populist systems. (See: e.g. ibid. pp 86-87.)

In the Latin American oligarchic systems the elite interested in the traditional export sector (agriculture and exploration industry) combined political oppression with the means of patriarchal exercise of power. Beginning in the middle of the 20th century, the oligarchic systems gradually yielded to so-called populist systems based on the rather broad class coalition of urban

industrial capitalists, merchants and well-to-do blue collar workers. The populist systems had a definitely more democratic character than the oligarchic systems, even if their democratic content remained limited (e.g. in Peron's Argentina). The B-A systems which replaced the populist systems toward the end of the 1960's and the early 1970's reverted to the exercise of consistently antidemocratic power. But within the B-A systems it was no longer the landed elite that exercised political dictatorship. Instead, political dictatorship was implemented by a coalition of the military and highly educated experts, with the active support of foreign capital. It is paradoxical that despite the high level education and culture of the ruling elite, B-A systems are usually much more harsh in applying the means of oppression than the traditional oligarchic systems were. If for no other reason this is so because in order to stabilize their rule, the B-A systems must break the well organized resistance of the low-[small] and mid-level bourgeoisie in large cities and of urban blue collar workers. (Collier, D., 1979).

According to O'Donnell (at least insofar as Latin American countries with their delayed industrial development are concerned) the three political systems represent three successive steps of industrial development. In the first phase of industrialization the production of consumable goods increased. This was followed by a transition from the oligarchic political system to the populist system. Populist systems provide strong customs protection and firm state subsidies to their domestic manufacturing industries. The free exchange of the (most often highly overvalued) national currencies are hindered by administrative rules, and in the interest of assuring low wage levels price supports are established for basic consumable goods, etc.

Closed to foreign markets, these economies manifest a certain industrial development designed to serve as a substitute for imports. Its advantages were enjoyed by blue collar workers in the manufacturing industry, in addition to domestic industrial capitalist and merchants. The primary losers of the process were the owners of large estates and mines, whose primary interest was in agricultural and exploration industry exports. O'Donnell regards this development to substitute imports as the second phase of industrialization.

By the end of the 1960's and early 1970's the domestic markets of these countries reached saturation points. Import substitution industrialization was exhausted<sup>1</sup>. In the final analysis this lead to a growing abyss between economic accomplishments and social aspirations, and to political instability. The need to find a new path of economic development appeared as an urgent requirement. In this situation the experts envisioned a form of transition to export-oriented industrial development on the one hand, and a change by which the respective countries would join in the manufacture of the means of production, (a "deepening" of industrialization which heretofore concentrated on the limited manufacture of consumer goods, according to O'Donnell). But within

the populist systems the new kind of industrialization faced a series of towering barriers. Actions needed for the commencement of export oriented industrialization (foreign exchange devaluation, discontinuation of price supports, reduction of import duties, etc.) would have been in conflict with some significant interests of the bourgeoisie as well as of blue collar workers, while the "deepening" of industrialization was hindered by the increasingly insecure political situation. This is so, because export-oriented industrialization rendered large scale, long term investments as overly risky. The atmosphere of political uncertainty appeared as extremely uncomfortable also from the standpoint of foreign capital. Under these conditions there came about an alliance of highly educated specialists and military officers in several Latin American countries. This alliance established the dictatorial B-A systems. Here we can see the "schedule of historical necessities," in O'Donnell's conception.

Even though the deterministic aspect of this theoretical reasoning was objected to by a number of researchers<sup>2</sup>, by and large they accepted the thesis with one voice, according to which when a transition to export-oriented economic development takes place, there is a rather good chance for the evolution of a B-A dictatorship, a political system not experienced earlier. From an economic standpoint B-A dictatorships go far in espousing the principles of nonintervention and free competition, while in political life they pursue strong-hand policies.

#### The Phantom of Bureaucratic Authoritarianism in East Europe

The exhaustion of import substitution socialist industrialization, which is rather generous when it comes to providing state subsidies, in many respects manifests features in East Europe similar to those manifested toward the end of the 1960's and early 1970's in Latin America. The separation of aspirations from achievements, the growing political manifestation of dissatisfaction by social groupings which correspond to the populist sector (blue collar groups which enjoyed preferential treatment earlier, the existentially threatened small entrepreneurs, the market producer peasants who lost their footing as a result of the agricultural crisis, the small intelligentsia discovering an increasingly hopeless situation), the increasingly hopeless and bitter distribution of the diminishing "national cake," the reluctance of foreign capital needed for structural change in Poland caused by political uncertainty, and in Yugoslavia and Hungary in the early 1980's are all reminiscent of the final days of Latin American populist systems. It is no coincidence that the increasingly dictatorial (or at least believed to be increasingly dictatorial) Southeast Asian newly industrialized countries, and among those primarily South Korea emerge in both the socialist press and socialist professional literature as the examples to be followed.

In East Europe the B-A system would realize economic reform without political reform. In this case, the rolling back of political liberalization—unlike any reorganization thus far—would not mean the fiasco of economic reform. To the contrary, it would guaranty the implementation of economic transformation which otherwise, under democratic conditions, would threaten to produce unmanageable political tensions. The tough political repression implicit in the B-A system, which, among other matters would include the revocation of a significant part of trade union rights, would render as manageable the massive unemployment that results from structural transformation, the reduction of real wages which is needed in order to repay debts, and the loss of perspective and complete impoverishment of broad strata resulting from reduced budgetary outlays. The breaking down of the populist sector would establish the kind of secure political stability needed to attract foreign capital.

In East Europe, the social class base of the B-A dictatorship would be composed primarily of a tight elitist expert managerial group, and not to the least of the mobile members of the old "new class" willing to transit from bureaucratic state administration to the entrepreneurial sphere. Supposedly this would take place with the support of the traditional party and state bureaucracies. At the same time, the evolving B-A system would be identical to the repressive system accustomed to in East Europe during the 1960's only in form. The newly emerging B-A dictatorship could be composed of the coalition of experts who believe in the marketplace but are not "contaminated" by democratic ideals, large enterprise leaders<sup>3</sup> who wish to protect (and expand) their independence vis-a-vis both the trade unions and state intervention, and supposedly of the party regular faction which can be distinguished already today among state and party officials.

Although quite naturally, in these days of "perestroika" and "glasnost" no one would openly recommend the realization of B-A dictatorships, the phantom of "reform dictatorship" (actually a shame-faced euphemism for B-A dictatorship) has emerged in recent times. This occurred first in Poland (which leads the crisis), and also in Hungary and Yugoslavia (catching up [with Poland] in terms of crisis). The Jaruzelski regime may be regarded as a firm step in the direction of the B-A systems, although (by no fault of its own) the Polish system is far from having been able to liquidate the populist sector whose most influential representative is the Solidarity movement to an extent the Latin American B-A systems were able to liquidate their opposition.

The (somewhat embarrassing yet not suppressible) presence of the B-A system's phantom in social consciousness is also indicated by the warming up of the once fashionable, but by now almost forgotten view, according to which freedom and economic efficiency can be mutually exchangeable alternatives. In one of his most recent writings, for instance, Janos Kornai seriously

suggested the possibility of a "trade off" between freedom and economic growth. He tried to analyze this by comparing (not in the most fortunate way) the economic achievements of the GDR and Hungary (Kornai, J., 1988)<sup>4</sup>.

The GDR's success—if it exists—would not support ideas held by the apostles of B-A systems. Instead it would be supportive of the conservative antireform forces of East European socialist countries. Namely: the GDR is not, by far, a B-A dictatorship. As discussed earlier in this paper, the peculiar feature of B-A dictatorships is that they link political regression and economic liberalism. At the same time there obviously is no economic liberalism in the GDR. The chief problem is, however, that contrary to this belief, the GDR economy is not at all developing in a dynamic way. Although Kornai's article states that at least compared to the Hungarian economy, the GDR's economic development is probably more dynamic, according to one of his footnotes the data which prompted him to draw this conclusion raised doubt concerning the veracity of his statement. According to Kornai's data selected from statistical sources produced by the Central Statistical Office and the U.N., the annual average growth of national income was 4.7 percent in the GDR, and 3.4 percent in Hungary. Similarly, the increase in the rate of consumption was higher in the GDR than in Hungary by only a few tenth of a percent (Kornai, J. 1988 p 16). In my view, the difference is on the borderline of statistical distortions which stem from differences in the economic systems (and within that in pricing systems) of the two countries, and therefore cannot be regarded as significant. It is well known that beginning in the late 1960's prices were freed in Hungary at least in part, and by legalizing price increases it became relatively easier to statistically separate the effects of inflation from price increases. At the same time in the GDR because of the familiar phenomenon of concealed price increases, statistical calculations consider part of the inflation as real growth. (Incidentally, the Romanian and North Korean statistical offices tend to report even faster economic growth than the GDR, nevertheless economic analyses which take seriously the economic miracles of Romania or North Korea are surprisingly rare.)

#### Limits of B-A Systems Economic Efficiency

However convincing arguments supportive of the need for B-A systems may seem, according to which there is a need for the "enlightened" dictatorship of B-A systems in order to manage social problems that stem from a transition to an export oriented market economy, and however acceptable some references to newly industrializing nations and from among the socialist countries to the GDR may seem at first sight, neither theoretical arguments nor practical examples stand up to serious examination.

In many instances specific examples are flawed because the countries mentioned are not in reality B-A systems. Actually, in Southeast Asia only the truly fast-developing

South Korea may be regarded as a par excellence B-A dictatorship, and perhaps Taiwan may be included. Malaysia, on the other hand, whose rate of development during the 1970's was close behind that of South Korea, and who was first on a global scale in electronics component exports, is an oddball among these countries. By Asian standards, Malaysia had a rather democratic multiparty system ever since the 1960's. Nevertheless, the democratic functioning of political institutions did not bar that country from making a transition from import substitution industrialization pursued earlier to efficient export-oriented development during the 1970's (Arva, L., 1989). The example of the Philippines does not reinforce the advocates of B-A systems either. In that country they made an (unsuccessful) attempt during the final years of President Marcos' reign to exchange import substitution industrialization for export-oriented development, and for the establishment of a B-A system. During the premiership of Cesar Virata they tried to realize the dictatorship of experts, but the expected economic and political success failed to materialize. In contrast, it appears that a new post-Marcos system which may be justly called democratic is succeeding with its transition to export-oriented development. Accordingly, even if here and there we may find B-A systems among the successful countries of Southeast Asia, it is apparent that realization of export oriented industrial development in that area must not necessarily be accompanied by the establishment of a political dictatorship of this type.

At the same time, the economic performance of some South American par excellence B-A dictatorships also raises questions concerning the veracity of theories which try to prove the economic efficiency of B-A systems. For example: the Chilean dictatorship, one of the most committed representatives of B-A systems, shows an annual average GNP increase of 1.8 percent during the 1970's. Taken as a whole, the Chilean GNP stagnated during the first half of the 1980's, while they were unable to stop their increasing balance of payment deficit. During the 1970's Argentina showed a similar, rather modest, below 2 percent GNP growth. In the first half of the 1980's the GNP declined by an average of one percent per year (IMF 1985 and 1988). By the 1970's they were able to liquidate at least their balance of payments deficit, but in the early 1980's the balance of payment deficit once again began to increase at an unprecedented rate. In Argentina the B-A system was not able to harness rampant inflation either.

Accordingly, the economic achievements of certain B-A dictatorships under no circumstance support the rather widespread view according to which these systems generally manifest a higher level of economic efficiency than countries with democratic political institutions. Taking into consideration the societal costs which necessarily accompany B-A dictatorships (and which are hard to quantify, nevertheless are apparent), further doubts arise as to whether B-A systems may serve even as temporary means to increase economic efficiency and to restore an economy.

**Bureaucratic Authoritarianism: The Next Step in Socialist Economic Reform?**

The only question left to be answered is whether bureaucratic authoritarianism is indeed the highest (or at least next) degree of socialist economic reform. There are many indications that it is. Factors pointing in the direction of a B-A system are: dictatorial legacies, the dissatisfaction of experts with the inefficient economic management system and with the economic policy followed, the dissatisfaction of the traditional regular party with the "chaos" that is on the increase as a result of democratization, the increasing strength of the requirement that economic policy establish favorable conditions for foreign capital as soon as possible, even at the price of breaking down trade unions, and the political crisis which threatens as a result of a reduced standard of living which was unavoidable in the grip of the debt situation. The economic achievements (or lack of achievements) of existing (or already collapsed) B-A systems should serve as reminders that the expectations of some of East Europe's technocrats relative to the B-A systems may easily prove to be illusions in the long term. Society may have to pay a rather high price as a result of the parenthetical treatment of the opportunity for democratic transformation.

**Footnotes**

1. Making partial use of O'Donnell's hypothesis, a rather large volume of case studies were prepared in Latin America concerning the period in which the import substitution industrialization process became exhausted, and the B-A systems were established. See e.g.: Stephan, A., 1978, Germani, G., 1977, Valenzuela, A., 1978.

2. See e.g.: studies by David Collier, Albert Hirschman, Jose Serra and Robert Kaufman in the volume entitled "The New Authoritarianism" (1979).

3. See: Szalai, E., 1988.

4. Although Janos Kornai does not firmly state in his article that such a "trade off" exists, in my view the mere fact of raising this hypothesis may be misleading. One cannot regard it a coincidence that after raising such a question the author himself is able to provide only a totally subjective "solution," namely that it so happens that he prefers the value of freedom, and therefore chooses to follow the Hungarian, rather than the GDR path.

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**More Soviet Cars To Be Imported To Hungary**  
25000164b Budapest NEPSZAVA in Hungarian 10 Mar 89 p 1

[Unattributed report: "The Backlog Is Eliminated: 44,000 Soviet Cars Will Arrive in Hungary This Year"]

[Text] Despite the zeal and efforts of traders, a desirable balance in the exchange of goods between Hungary and the Soviet Union was not achieved in 1988, chief counselor Imre Matajz stated. The director of the Hungarian Trade Agency in Moscow held a press conference for Hungarian and Soviet journalists in Moscow on Thursday.

The various balance-of-payments deficits amount to a total of one billion rubles, i.e., this is the amount which should be balanced with additional Soviet shipments.

Imre Matajz emphasized that during preliminary talks the Soviet partners were understanding but, because of their own internal problems, they could undertake surplus shipments only in the amount of 200 million rubles this year. Because of all this, Hungary has been forced to decrease its exports to the Soviet Union.

This year we will receive an additional 730 million cubic meters of natural gas, 500 million of which will arrive as the beginning payment for the Yamburg credits. A reduced amount of newsprint will be shipped.

As for Hungary, our Ikarus bus shipments to the Soviet Union will be 1,000 less, and we will not be selling a single motorized train in 1989. Our wine and champaign exports will remain at the 1988 level.

Compared to the volume of last year's car shipments, the planned increase, which is of great public interest, will be noteworthy. Forty-four thousand cars are expected to arrive this year in Hungary. Of these, 7,000 will supplement last year's backlog. In addition to Ladas, we will receive 1,000 Volgas, 750 Moskvitches and about 250 Tavrias.

## POLAND

### Roundtable Participants Debate Wage Indexation

#### Necessary, Temporary Measure

26000429 Warsaw ZYCIE GOSPODARCZE in Polish  
No 10, 5 Mar 89 pp 1,4

[Interview with Prof Antoni Rajkiewicz, member, roundtable team for economy and social policy for government-coalition side, and professor, Institute of Social Policy at University of Warsaw, by Anna Kuszko: "Indexation by Any Other Name"; date and place not given]

[Text] [ZYCIE GOSPODARCZE] Prices are growing, and every visit to the store reinforces one's concern for the family budget. Pay demands in enterprises continue to be made. This is undoubtedly the most sensitive aspect of our current situation. This is why all of us are looking in the direction of the roundtable with anxious anticipation, especially in the direction of the working group which you chair together with Andrzej Wielowieyski. There have been two meetings already, and perhaps there is no doubt that the issue of indexation will not be sidestepped, and put on the back burner. To be sure, it is not a good economic instrument. However, it is a lesser evil in our situation than spontaneous wage increases with which we are now dealing, and which still pose a threat of strikes.

[Rajkiewicz] Firstly, let us say that indexation comes by many names both in the sphere of theory and practice. Much has been written on this topic. The views of theoreticians, as well as the practice differ. In issue 8 of ZYCIE GOSPODARCZE, Prof Bobrowski came out resolutely against indexation which increases inflation.

[ZYCIE GOSPODARCZE] He rather gave a warning stressing in the process that we should operate making a large allowance for human expectations, hopes, and

desires. After all, they constitute an objective factor which both the economists and the authorities should take into account along with other factors of production.

[Rajkiewicz] This is why I accept with complete respect the position of Solidarity on the issue of indexation. In particular, I agree with the main motive for raising this issue, which is the desire to prevent spontaneous, and frequently random actions aimed at securing wage increases. However, the factor entailed by the growing cost of living is not always at work in this sphere; the situation at an adjacent enterprise or related industries also is an influence on these demands. In the process, we are facing tremendous chaos which favors the stronger and more ruthless ones, and remains a profound contradiction with the general desire for order, and the striving to establish some social order in this sphere, the sphere of remunerations and prices.

[ZYCIE GOSPODARCZE] However, indexation must be the first step in putting things in order. In its absence, any growth of prices will be perceived as compensation for increases in the cost of living.

[Rajkiewicz] At the Institute of Labor and Social Issues, Prof Mieczyslaw Kabaj, who incidentally was associated with ZYCIE GOSPODARCZE, handled these matters at one point. He left us the work "Wage Incentive System Under the Economic Reform" in which he considers the issue of wage indexation in detail, generally coming out in favor of the high-wage policy, also supported, however, by indexation. In this work, he takes issue with the opponents of indexation who argue that, in an environment of disequilibrium in the market, any form of indexation exacerbates this disequilibrium still further, and that under these conditions nominal wages should increase only commensurately with higher productivity, which should make it possible to increase production, and restore equilibrium. Prof Kabaj shows that such argumentation has a very weak point. After all, it assumes that the growth of prices does not have a direct influence on decisions concerning wages at enterprise. The opposite is the case.

For example, in our country, when the present wage situation is being analyzed, a tremendous differentiation is observed. It looks very different in enterprises which have a greater freedom to set prices, and in view of that boost profits, and the opportunity to transform part of the profits into wages, compared to enterprises which do not have such an opportunity. After all, there are many subsidized enterprises which are frequently very important for meeting social needs, and in these instances increasing wages requires additional government subsidies.

[ZYCIE GOSPODARCZE] Is this an argument in favor of, or against introducing indexation?

[Rajkiewicz] Rather in favor. I admit that I listen with a degree of embarrassment to the explanations of some government representatives who maintain that, if wages at an enterprise are increased beyond the volume of funds available to it, and if the enterprise does not manage to secure a loan, or does not have reserves, it will have to declare bankruptcy. There are many public utility enterprises which play a tremendous role in the course of our life. Is a process of mass bankruptcies conceivable in these instances? These subsidies will have to be provided regardless of whether or not indexation is introduced. The practice bears this out.

For example, for a long time we did not have a system to revalue retirement benefits. Despite this group not having much clout, it was necessary to allocate some funds in order to increase retirement benefits time after time.

[Zycie Gospodarcze] The efficiency of these extemporaneous interventions has always been low. The "old portfolio" [retirement benefits first granted many years ago and not increased since—translator's note] continued to grow, and came back.

[Rajkiewicz] This is true. In his time, Prof Michal Winiewski made precise calculations to the effect that, had we introduced the revaluation of retirement benefits compared to prices in the 1970's, then these automatic systemic adjustments would have cost exactly as much as the extemporaneous raises which alleviated the problem for a short period of time, causing an exacerbation rather than improvement in the structure of retirement benefits.

Returning, however, to the problems of the roundtable I have taken the side of those who think that indexation should be a component of our socioeconomic policy at the current stage, the stage of inflation, an end to which I must say I cannot see. I do not subscribe to the optimistic view that within 2 or 3 years it will come down to the level of single digits. After all, such promises have been made on several occasions. This is why I believe that indexation should be a part of the concept of a new economic order.

Besides, this has already been set forth in the working draft of a position paper by the group for the economy and social policy. There is a consensus with regard to this. However, I believe that various indexation indicators should not have been set forth there. This, after all, is a matter to be negotiated.

[Zycie Gospodarcze] With whom? As it is, all the parties are at the table.

[Rajkiewicz] Yes; however, hailing the slogan of indexation necessitates much work which would make it possible to select an optimum version. This should be done in a quiet atmosphere, pencil in hand, or at present we should say "computer in hand." Otherwise, incalculable consequences may occur.

[Zycie Gospodarcze] Does not procrastination threaten such consequences too?

[Rajkiewicz] Issue 10 of POLITYKA SPOŁECZNA of last year carried an article by Walentyna Kwiatkowska which gives a synthetic description of indexation in capitalist countries—its scope, basis, forms, degree, and frequency. A mere enumeration of these elements shows how many problems have to be solved in this matter, and how many variants of arrangements come up. After all, indexation is not a stable element of the economy; it appears in specific situations, exactly at the time when the control of wage and price policy is lost. However, in this environment of high inflation it is used in different scopes and in different ways.

[Zycie Gospodarcze] Perhaps, there are proposals of arrangements drawn by different sides?

[Rajkiewicz] Our colleagues from Solidarity have requested automatic, complete, and comprehensive indexation. I believe, and not only by virtue of the place I occupy at the table but as a social policy specialist, that this year the introduction of indexation complying with these three principles would be incredibly difficult to implement. We need to bear in mind the fact that we are already observing a certain process of wage increases. Besides, certain issues have already been predetermined, e.g., the law on wage ratios in the budgetary sphere.

[Zycie Gospodarcze] Do you consider this arrangement to be favorable and just?

[Rajkiewicz] First of all, we should change the traditional approach to the sphere generating national income. After all, this solution is a consequence of such an approach. If only the material [production] sphere generates national income it should share the income with the nonproduction sphere. Prof Kotarbinski frequently quoted the funny example whereby a veterinarian treating animals generates [national] income but a physician does not. After all, this is nonsensical.

Therefore, pegging the growth of salaries for physicians or scientists to the level of wages for engineers does not appear to be a successful arrangement to me. As it is, "The Program of Reinforcing the Currency" adopted in 1986 called for suspending the legally binding mechanisms promoting the growth of wages in the nonmaterial sphere pegging their growth in a given year to the rate [of growth] of wages in the material sphere, or some developments in it. Therefore, as you can see, everything in our country is fluid, everything changes. However, whether you like or dislike certain arrangements, you cannot ignore their existence. This law is a fact, as is the budget which has been adopted by the Sejm with a tremendous deficit and subsidies influencing both the level of prices and the remuneration potential of enterprises.

[ZYCIE GOSPODARCZE] This means that once again we are back at square one.

[Rajkiewicz] Not in the least. What I want is only to take into account all the elements of the dramatic situation influencing the vacillation and differences in our working group, which has the good will and sincere desire to fulfill with the main task of indexation; that is, providing a certain guarantee to the people that they will not be fighting alone the continuously growing cost of living. I believe that 60 to 70 percent of people doing supervised work live, as we define it, in borderline conditions, from payday to payday.

[ZYCIE GOSPODARCZE] Therefore, can we postpone the decision on automatic indexation? After all, indexing arrangements cannot be ideally applied to a complicated situation in the sphere of wages, even using a computer with a full array of data. Should we count on some incidence of wrongs and excessive payments which could be settled only by the individual income tax if it existed?

[Rajkiewicz] You are touching on a very significant issue. I mean two factors which at present complicate the situation extremely. Firstly, there are no collective labor contracts establishing procedures for carrying out the process of indexation in a given industry, and containing resolutions and directives which would be ultimately detailed in enterprises. Secondly, the absence of taxation on individual incomes necessitates setting ceilings for the growth of wages at state enterprises. This, in turn, greatly complicates salary indexation in the material sphere.

[ZYCIE GOSPODARCZE] Therefore, comprehensive indexation, but not automatic or complete? How is the OPZZ [Trade Unions] taking it?

[Rajkiewicz] In this matter, the OPZZ side takes an ambivalent position. In the position papers submitted, one may read that they agree to indexation, but see two kinds of danger involved here: reducing the independence of enterprises by introducing a certain mandatory element, and at the same time the danger of price growth entailed by additional labor costs.

[ZYCIE GOSPODARCZE] Don't industrywide collective contracts restrict the independence and self-management of enterprises?

[Rajkiewicz] When it comes to filling the landscape of the wage policy with collective contracts I am not an optimist. This is a process which drags out for years. However, in cases where these contracts operate in a manner causing no objections, when they have been approved by a representation of the workforce, they should set or, more precisely, adjust, the general principles of indexation. This is quite important. In talking about indexing, it is also worthwhile to take into account the scope of various benefits derived from wages, the

extent of [coal] payments-in-kind, and other entitlements in individual industries. After all, the increase in coal prices from 8,000 to 17,500 zlotys per ton brings the value of the monetary equivalent to 100,000 zlotys a year, given a 3-ton allocation. I do not at all want to raise the issue of tinkering with the payments-in-kind as well, and create new fronts of concern in the current situation. However, I do want to demonstrate how various issues intertwine in the course of indexation, and how many elements need to be taken into account in this matter, including the element of risk which Prof Bobrowski, Prof Mieszczański, Prof Krenicki, and other specialists working on these issues have talked about.

Therefore, many issues need to be resolved: whether indexation will be based on percentage increases, increases by fixed amounts, or threshold-triggered; how frequent are they going to be; what is the basket [of goods] going to be. I believe that this should be done by a negotiating commission appointed especially for this purpose. These issues are very complicated, and they require new labor-intensive calculations.

[ZYCIE GOSPODARCZE] Is this to say that a consensus on this most pressing issue is far away?

[Rajkiewicz] I do not at all think so. We are facing a new pattern of relations. I believe that the legalization of Solidarity, trade union pluralism, and enterprise self-management which in the draft social contract are to be the cornerstone of this pattern will create a new reality, a new composition of social representation. Conditions will emerge for negotiating all matters associated with the forms of indexation quietly, and proceeding from equal positions of the parties to the settlement. I believe that optimal forms of indexation in our complex conditions may be determined in the course of discussions and calculation work.

[ZYCIE GOSPODARCZE] Doesn't this take many years?

[Rajkiewicz] Nothing of the kind. I believe that this year we should use selective-type indexation taking into account [remuneration] raises already introduced.

[ZYCIE GOSPODARCZE] However, we should not be telling you that ad hoc arrangements and half-measures have a long life in our country, and generally do not achieve the objectives set, though they also cost money.

[Rajkiewicz] This is why I am not proposing anything ad hoc. I believe that the social contract which we will hopefully adopt here must state clearly that we are in agreement as far as honoring indexation systematically in the course of further inflation. This agreement should have two parts, accepting in the first part, the selective solution for the current year, 1989. Let us keep in mind that the situation is fluid, and many issues are still being resolved. After all, ZYCIE GOSPODARCZE has already reported on the proposal to cancel ration cards for meat,

and this also involves a labor-intensive revaluing operation. Therefore, nothing reasonable can be introduced in a systemic manner right away.

However, the second inseparable part of this document should outline in the most general terms the principles of systemic, comprehensive (I regard this requirement as being primary) indexation from 1990 on, indexation based on and complying with all directions which will be found in the great social contract which I hope will be adopted by the roundtable.

[ZYCIE GOSPODARCZE] Thank you for the interview.

#### Ties to Inflation Viewed

26000429 Warsaw ZYCIE GODSPODARCZE in Polish  
No 10, 5 Mar 89 pp 1,4

[Interview with Dr Helena Goralska, member, round-table team for economy and social policy for Solidarity-opposition side, by Anna Kuszko: "Systemic Contract Instead of Spontaneity"; date and place not given]

[Text] [ZYCIE GOSPODARCZE] For many years, you have been handling the issues of social benefits, protection of the standard of living, and poverty at the Institute of Labor and Social Issues. The problems of indexation are inseparably linked with these topics. The Solidarity group at the roundtable, of which you are a member, has requested the introduction of indexing wages and incomes. What are the motives for making this request, and what are the general principles of proposed indexation?

[Goralska] Wage indexation in the so-called budgetary sphere is the key problem which was discussed at the first two meetings of the working group in which I participate. After all, it is in this matter that the greatest difficulties and fears, and therefore, controversies, occur. The principles of wage indexing in the budgetary sphere used this year pegging the adjustment of salaries in this sphere to the level of wages in material production are a quite unwieldy arrangement, but they can play a certain revaluating role. However, this is not indexation of individual wages.

After protracted battles, we finally have a system of revaluation in the Polish laws on retirement benefits which is based on the correct principle of increasing the value of retirement benefits and annuities in line with the growth of the average wage. However, even this modern system is not proving itself in an environment of high inflation.

[ZYCIE GOSPODARCZE] Why?

[Goralska] The statistic of growth of average wages, but that from the previous year, is the basis for revaluation. As recently as last year, when the statutory adjustment was paid to the retirees in March, two installment payments, one in March and one in November, had to be

introduced, because given the two-digit rate of inflation, adjustment once a year, which is delayed on top of this, makes the situation of this social group worse. One more issue calls for regulation here: the waiting period for the first revaluation. Under the best of circumstances, it amounts to 14 months, and under the worst—an entire 2 years. These are very long and difficult months in the life of these people given the current growth of the cost of living.

Other benefits, including the extremely important family allowances, are changed every so often, in various ways, by increasing the amount of benefits and by introducing greater differentiation, making the benefits contingent on the amount of family income.

These are not satisfactory principles. However, it is difficult in general to find optimal solutions in this matter, especially given the economic situation of our country. We should always reckon with some group feeling wronged, and some money ending up in the hands of more affluent families who do not absolutely need aid from social funds. These are matters which simply need continuous adjustment and improvement. This is commonly understood though this does not always result in specific actions.

The situation with indexing individual wages in the sphere of material production is completely different. Stiff resistance becomes apparent right away. An entire array of not-too-justified arguments follows to the effect that indexation of wages in this sphere fuels inflation.

[ZYCIE GOSPODARCZE] Perhaps, it is difficult to prove that it slows inflation down?

[Goralska] However, this is not the purpose of it. After all, this is not why it is introduced. We can say one thing for sure: in general, inflation and indexation go hand in hand. I understand quite well the economists who caution us against the inflationary consequences of indexation. I share such apprehensions myself. However, I cannot listen quietly to the entirely groundless statements about all Western countries having abandoned it, about indexation existing only in Brazil. After all, nothing can be further from the truth.

Indexation as a mechanism for protecting real incomes and wages is a tool used in many countries, obviously in different forms, and in a different scope. It is either introduced by legislation, or regulated by industrywide and enterprise collective contracts.

In West European countries, indexation is introduced by individual collective contracts. This is due either to the duty to include such a clause in the contract or to a recommendation. On the contrary, in France a ban exists on inserting indexing clauses in collective contracts which is not to say that this ban is fully complied with. Revaluing income is frequently tied to another great

problem of these countries, unemployment. For example, in Holland and Belgium trade union organizations recognized that unemployment affects the situation and well-being of hired labor more than the growth of the cost of living, and for this reason they abandoned wage indexation in return for reductions in worktime with remunerations remaining the same. Therefore, indexation assumes various forms throughout the world. It is introduced and canceled, and all of this proceeds in an environment of normalcy.

In turn, in our country, despite the high inflation which forces wages to grow anyway in a spontaneous manner, a proposal for formalized indexation in the nonbudget sphere immediately ruffles everyone's feathers.

[ZYCIE GOSPODARCZE] Is it not being brought up at the roundtable?

[Goralska] Yes. However, all proposals are running into stubborn resistance, and not only on the part of the Ministry of Finance, which would be understandable, but also on the part of the Ministry of Labor and Social Policy. Even more surprisingly, a representative of the Ministry of Finance states that at present it is most important to reduce the sphere of poverty by indexing the incomes of this group in terms of fixed amounts based on the "basket" of staples. In turn, a representative of the Ministry of Labor and Social Affairs maintains that the fund indexing (thresholds of remunerations which do not engender new tax liabilities) already in existence is the best because it does not restrict the independence of enterprises, and allows for labor incentives. Revaluing the lowest remuneration in the national economy prevents the leveling of wage distributions.

This is definitely so in theory. What about practice? After all, neither the methods of fund thresholds modified many times nor the most assiduously developed methods of labor evaluation have yielded the expected results. Thus far, we have not managed to either hold the statistic of wage increases at the level planned, or to improve the intersectoral, interenterprise, and intraenterprise structure of prices.

[ZYCIE GOSPODARCZE] Wage indexation will not accomplish this either.

[Goralska] I agree; however, it can really protect us from a spontaneous exacerbation of all these disproportions, the consequences of which are most tragic.

[ZYCIE GOSPODARCZE] Therefore, should we abandon fund indexation?

[Goralska] We cannot give up the PPWW [tax on above-the-norm growth of remunerations] overnight, especially because there is no chance for introducing a tax on individual remunerations.

Indexing individual wages in the sphere of material production should be coordinated with the fund regulation; both are, simply put, necessary evils in our situation. If it turns out that the threshold needs to be revised, let us face up to the truth—it was violated twice in the course of last year. This had to happen. If this year the tax-exempt threshold is set at 46 percent, and the planned rate of price growth amounts to 55 percent, then there are no miracles. This threshold will give way.

After all, indexing of wages in the sphere of material production has been going on for many years, but in the worst fashion, haggling and arbitrary. He wins who is stronger, and who makes more noise. This is happening not only outside enterprise gates but also inside them, thus distorting all principles.

Recently, the director of an enterprise in Silesia Marek Madej wrote in ZYCIE GOSPODARCZE that no wage increase plays the role of an incentive anymore regardless of the reason for which it is granted. After all, it is perceived only as compensation for increases in the cost of living. The strike demands of "same to everybody" are not due to primitive egalitarianism (why would young, educated, and ambitious people subscribe to it?) but from the probably correct assumption that in February everyone should be able to purchase more or less what his salary sufficed for, say, 3 months ago. Let us finally call a spade a spade—we are talking about indexation. It is very difficult to secure social order without settling this neuralgic point.

[ZYCIE GOSPODARCZE] This is the motive. What are the assumptions?

[Goralska] Indexation should be automatic, almost complete, and comprehensive.

[ZYCIE GOSPODARCZE] Almost complete? Is this a realistic and justified request in our economic situation, with the [foreign] debt being what it is?

[Goralska] Let me say first what "almost complete" means. The GUS [Main Statistical Administration] indicator of the cost of living, calculated on the basis of analyzing family budgets, should be the reference point. It takes into account all goods and services consumed by households. However, the surveys of household budgets do not include, say, employees of the military and the militia, as well as those in business independently, i.e., the groups with regard to which there is cause to believe that their expenses are at a level higher than the average.

[ZYCIE GOSPODARCZE] However, you would perhaps admit that this is not a basket of staples.

[Goralska] The disequilibrium being as pronounced as it is, people buy whatever is available in the market. All attempts to establish some artificial basket of staples in

our market situation lead us astray. They will be the hotbed of further disputes and misunderstandings. This is exactly what we need to avoid.

[ZYCIE GOSPODARCZE] The GUS indicator also has its critics.

[Goralska] This is true; however, it is based on specific expenditures of families, and is rooted in life, granted, with a certain margin of error, always on the minus side. We also request that there be social and trade union supervision over the methods for, and the process of, calculating this indicator.

[ZYCIE GOSPODARCZE] A large segment of these outlays is for alcohol.

[Goralska] This could be excluded from indexing, or a corrective coefficient of some kind can be set. This is exactly why we call for almost complete indexation.

[ZYCIE GOSPODARCZE] What about luxury items, e.g., cars?

[Goralska] Let us not exaggerate. The price of a car is responsible for, at best, a fraction of 1 percent of this indicator. Here we are coming to one more quite apparent issue.

They are telling us: even the richest countries do not use complete indexation. This is a fact. However, in our country, indexation has to be almost complete in order not to be a half-measure; half-measures never solve anything. The introduction of indexing which compensates for, say, 60 percent of the growth of the cost of living may cause spontaneous indexation to appear on top of the codified one. This is a real threat, and a great danger, which should be averted in the most reasonable manner possible.

[ZYCIE GOSPODARCZE] The question is whether this will work.

[Goralska] Nobody is sure of that. Everything depends on the climate of trust, on the honesty and clear-cut positions of the parties to the contract. This is why it is so essential to make unambiguous arrangements as early as at the roundtable, if the agreement signed here is to bring about social order which, I believe, all of us want.

[ZYCIE GOSPODARCZE] However, many partial issues have to be thought through and discussed in this matter. Is this possible in the course of the roundtable?

[Goralska] I would not overestimate technical problems. We should opt for the simplest solutions. After all, indexation is not a lifetime contract. Naturally, it requires frequent resolutions, modifications depending on the conditions which, after all, change, on the rate of inflation, and also when one of the parties recognizes

that something is not working out. This very year—and it is March already—should be the year of trying, and fine tuning, the guidelines for it.

[ZYCIE GOSPODARCZE] However, by now the worst situation has emerged in which codified indexation will come directly on top of the one already accomplished spontaneously.

[Goralska] This absolutely has got to be prevented. This year, we need to level the peaks in salary [distributions] which have resulted from spontaneous stirring. Therefore, the first movement in indexation should be different from the following ones. We should give it some thought and establish what should be accepted as the base, the beginning of indexation, in order to exclude to the greatest degree possible what has already been accomplished.

[ZYCIE GOSPODARCZE] What are the chances for coming to an agreement in this sphere?

[Goralska] I do not know. When our group met it appeared that an agreement was within reach. Prof Wladyslaw Baka consented to the principle of indexation in the group for economy and social policy. At present, after two meetings of our working group have been held, I have an entirely different impression. However, round-table discussions are continuing, and our working group is meeting again. Everything is open.

[ZYCIE GOSPODARCZE] Thank you for the interview.

#### Economists, Journalists Argue Wage Indexation

##### Inflation Overlooked

26000430 Warsaw POLITYKA in Polish  
No 10, 11 Mar 89 p 6

[Article by Marek Dabrowski, Polish Academy of Sciences, Institute of Economic Sciences: "Cautioning Against a Victory"]

[Text] Due to the roundtable proceedings, the demand for comprehensive wage, income, and benefits indexation has gained dizzying notoriety in recent weeks. The hope to slow down the wave of demands for compensation through remunerations and social benefits, to prevent strike conflicts, and to calm the social mood appears to be the main argument of the proponents of equalizing incomes according to the rate of inflation. They reason as follows: indexation has now been a fact for some time now, except that it has been wild and spontaneous in nature. It is accompanied by tremendous social tension, including strikes. As a result, we have an enormous increment in the remuneration fund which is out of control, and salary aspirations of individual employee groups are satisfied in an uneven manner,

depending on the bargaining clout of workforces. Due to this, smaller enterprises, less organized groups of employees with a lesser base in the political system lose out.

Most of the above reasoning appears to be convincing because it is based on genuine facts which are hard to question. However, does this suggest that comprehensive indexation (regardless of whether it is complete or partial) is in a position to subdue and "civilize" the wave of social and salary claims, or that it may facilitate quieting down the strikes? Personally, I have tremendous doubts.

It appears that demands, unrest, and strikes in many enterprises over recent months and weeks have a varied background.

First, this is a response to the growing cost of living, the peculiarity being that employees as a rule are not interested in the average GUS [Main Statistical Administration] statistics but rather in the subjectively evaluated statistics for a specific family or community.

Second, there is an element of wage "jealousy" with regard to other enterprises of the same industry, primarily with regard to neighboring enterprises operating in the same local labor market.

Third, intraenterprise wage policy—distribution of wage increases, bonuses, and annual awards—is a frequent cause of conflict. In this process, the procedures for making decisions on wages—in an arbitrary fashion, without clear rules of the game, behind closed doors, without the participation of social bodies enjoying genuine confidence of the workforce—are at issue rather than just the monetary outcome.

Fourth, in some cases the failure to adjust the guidelines for remuneration, passed down from on high and established outside the enterprise (e.g., for the entire industry), to the peculiarities of a specific enterprise plays an essential role in some cases. We are facing this situation in, for example, mining and power generation, i.e., in instances where enterprise remuneration systems do not actually function.

Fifth, other, nonremuneration causes of intraenterprise conflicts are also a factor—poor occupational safety, the arrogance of the management and supervisors, centralized management structures, a struggle to augment trade union membership, and sometimes provocation by forces opposed to the roundtable talks.

I certainly have not exhausted all causes of compensation demands, strikes, and conflicts. However, even this superficial review suggests the irrefutable conclusion that indexation may eliminate only one of the sources of conflict, and then only in part. I mean the reaction of employees to the growing cost of living. In the process, wage indexation will only track the average indicators of growth of the cost of living which, as I have already mentioned, may differ

greatly from the subjective individual or group evaluations. Therefore, even complete indexing probably will not satisfy a majority of employees.

We should also take into account the fact that indexation is an instrument of income policy which is extremely difficult to apply and very socially sensitive. An array of significant methodological issues immediately crop up. For example, how are the statistics of increases in the cost of living to be calculated in the environment of accelerated inflation and marked shortages in the market? Which basket of goods is to be selected? Given the general mistrust of any statistical data, will any statistic (even calculated with the participation of opposition economists) meet with social approval? Will the officials in charge of implementing the idea of indexation resort to open or hidden exceptions favoring specific enterprises and professional groups? After all, the considerably simpler tax regulations have thus far usually degenerated gradually at the level of execution. In what manner will the control of compliance with indexation rules be ensured? Which sanctions (financial? administrative?) should be put in place in the event of noncompliance by enterprises with the rules of the game? Such questions are many. All of them prompt us to look skeptically at the potential for snuffing out social tensions in enterprises through indexation. On the contrary, it may become a new source of misunderstandings and strikes.

The expectation that indexation may help in fighting inflation is an even greater misunderstanding. This could only be the case if indexation statistics (of incomplete indexation at that) establish the admissible ceiling of wage growth in enterprises. This would, in turn, mean restricting enterprise wage funds by directives in the worst manner. After all, the essence of indexation is not to restrict wages, but to guarantee that wages increase depending on the cost of living. Therefore, it is difficult to expect indexation to replace the older contribution to the PFAZ [State Fund for Professional Activation], PPWW [tax on above-the-norm increment of remunerations] or, in the latest arrangement, profit tax due to the growth of wages. Calming pay demands in combination with the simultaneous introduction of indexation is the only opportunity for achieving a limited anti-inflation effect. However, what I have written above suggests that another scenario is much more realistic: indexation plus demands (of the same or slightly smaller magnitude). We do not have to explain what this means for the economy.

In all of that, we should clearly comprehend that all forms of automatic wage, benefit, and budgetary expense revaluation, and so forth, constitute a natural mechanism for fueling rather than suppressing the inflationary cycle. All countries which have pursued relatively successful anti-inflationary policies (Great Britain in the late 1970's, Italy under the Bettino Craxi government, recently Israel, and so forth) have restricted or entirely suspended the operation of indexation arrangements.

Certainly, indexation within a certain scope is necessary, and I do not intend to deny this—I mean retirement benefits and annuities, other social benefits, and wages in the so-called budget [-financed] sphere. However, extending indexation to the sphere of enterprises amounts to a retrogression in terms of the principles of self-financing and independent wage-setting.

Unfortunately, comprehensive wage indexation, complete in particular, will not be reconciled with independent wage-setting in enterprises. The latter is particularly important in the nonprivate forms of ownership in which wages are virtually the only available form of motivation (due to the absence of a private owner interested in profits). You cannot advocate indexation and the development of employee self-management in the same breath. After all, indexation (I am obviously referring to mandatory indexation) will naturally restrict the powers of self-management bodies in enterprises (as well as trade union organizations) in implementing wage policies.

Indexation will restrict the potential for necessary adjustments in the labor market, and changes in the old ratios of wages inside enterprises and between enterprises (on the contrary, it will perpetuate the old ratios); it will force the management of enterprises to resort to various "get-around" techniques (in order to retain the skilled labor needed, which has to be paid in keeping with the law of supply and demand in a specific local labor market). Overall, this means increased rigidity in the systems of remuneration, the threat of increased rather than reduced deviations in the wage policy, a reduction in the incentive function of wages, and so on. This is definitely not a step toward a market economy but rather, on the contrary, toward centralization, toward shifting the responsibility for the wage policy from enterprises to the government and central trade union organizations.

I am certain that proponents of indexation will ask me about what I would offer instead. After all, the common psychosis exists to the effect that it is necessary to somehow counteract current social tensions and inflationary phenomena right away. I will begin with a general observation of sorts. In economics, just as in medical science, the principle "first of all, do no harm" should apply. However, it appears that in this case a positive suggestion can be offered. This is a market-oriented anti-inflationary policy which would go to the source of disequilibrium and inflation in the Polish economy. I mean, among other things, the elimination of the budget deficit, a restrictive monetary policy, an efficiency-oriented restructuring of the fiscal arrangements and finance systems in socialized enterprises, the elimination of inefficient enterprises, reductions in subsidies, sales of a portion of state assets. This merits discussion.

I am afraid that indexation may turn out to be an economic trap for the Polish economy. Just as it was for meat ration cards, it is easier to introduce than to cancel

later. I wish indexation would not also become a political trap for the forces taking part in the roundtable which have invested their entire social authority into forcing it through. After all, an eventual success in negotiations, expressed in securing consent for the implementation of this idea, may turn out to be a Pyrrhic victory.

#### Anxiety, Wage Motivation

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No 11, 18 Mar 89 p 4

[Article by Andrzej Topinski, Polish Academy of Sciences, Institute of Economic Sciences, participant in roundtable group on economy and social policy on side of opposition-Solidarity: "Cold Compress for the Head"]

[Excerpts] The high rate of inflation has changed our life; it also calls for new economic regulations. Everything that is based on the value expressed in money acquires a different meaning when the currency loses one-half of its value a year.

Among other things, the principles of bookkeeping and calculating reserves have to change in enterprises, and in the entire economy, among other things, the principles on which assuming and retiring one's obligations is based. Inflation requires indexing. It has already introduced to our economy interest rates of several dozen percent which are a form of indexation (compensation) of monetary obligations; new forms of adjusting the wage fund, also including indexation arrangements, have appeared. Discussions on budget expenditures and savings in the Sejm are conducted in real terms, that is, in indexed values, etc. In his attack on wage indexation (*POLITYKA* No 10), Marek Dabrowski is perhaps unaware that we are entering a period of high inflation. Does he believe that the principle "first of all, do no harm" also applies to a boat which sails into a stormy (inflationary) sea from a river? [passage omitted]

Indexation is not a method of combating inflation, as M. Dabrowski appears to suggest. It is like a cold compress on the head of a sick person. It should bring relief until a package of resolute anti-inflationary measures is put in place, and this is what is in the cards. [passage omitted]

The government plan of consolidating the economy envisages balancing the budget within 3 years, though it is not known whether this goal would remain in effect if the agricultural and foodstuffs sector were to be "marketized" along the lines recently set forth. After all, many other sources of inflation not associated with budgetary expenses exist in the economy. Therefore, it is sensible to assume that we will have to live for some time—may it not be very long—with high rates of inflation, and, consequently, with various indexations. Therefore, whether to index or not is perhaps not a problem because wages cannot remain an "island of nominalism" in an economic life in which indexation is commonplace. The situation whereby profits from capital (interest rates) are

revalued, whereas income from labor is not, is unsustainable. The only problem is how to accomplish it. Should revaluation (indexation) of wages be done separately in every enterprise and individually for each position, or should this process be put in order? Whose advantages should be considered in such accounting: those of the economy, of managers, or of employees?

I believe that, given the current inflation, putting in order the process of revaluation of wages (as the currency loses its value) through comprehensive indexation is a necessary undertaking, though not without a risk. This may facilitate a certain weakening of the scale of inflationary tensions.

Formalized comprehensive indexation reduces the feeling of uncertainty about the future among employees. To be sure, at present an overwhelming majority of employees get raises compensating them for the growing cost of living anyway, but they are never sure ahead of time that they are getting the raises. [passage omitted]

Therefore, the incorporation of automatic wage indexation in the remuneration systems of enterprises should calm the pay demands by introducing into the pay negotiations a yardstick common for the entire economy (revaluation coefficient), in order to compensate for the growth of the cost of living, and by imposing a respective time frame (e.g., quarterly) for pay raises by virtue of this. Comprehensive indexation should also play a favorable role in restoring the incentive function of wages, due to separating incentive raises within the framework of the advance, bonus, and piecework systems from the raises compensating for the growth in the cost of living.

Finally, a certain aspect of the peculiar situation of 1989 also favors comprehensive indexation. We are entering a stage of trade union pluralism. In the course of rebuilding Solidarity elements in enterprises, competition among trade unions for influence on the workforce may develop. This may give rise to a race of pay demands. A prior comprehensive codification of procedures for the growth of wages due to increases in the cost of living should counteract this. [passage omitted]

Let us recall that as early as 1988, in the environment of spontaneous indexation, wages grew faster than production for the first time in many years. If this situation is reproduced in 1989, a collapse of the domestic market will be unavoidable.

Certainly, indexation will not eliminate all sources of wage-related tensions in the economy. Indexation itself also contains many elements which may generate conflicts. M. Dabrowski is right in writing about this. However, suspending indexation at present entails a greater risk of a pick-up in inflation compared to its application.

Hence the only conclusion: indexation should be accompanied by certain safeguards which counteract the danger of wages growing faster than production. Current Solidarity drafts provide for three of these safeguards:

- principle of incomplete compensation for increases in the cost of living through comprehensive indexation,
- principle according to which enterprises must cover the outlays entailed by indexing within the framework of available means of funding and financial resources,
- principle according to which at the moment of introducing indexation, it is to apply only to employees the increase in whose wages in recent months has not kept up with increases in the cost of living. [passage omitted]

M. Dabrowski is convinced that comprehensive wage indexation runs counter to the market direction of transformations in the Polish economic system. [passage omitted] No foundation for all of these statements can be seen in the specific wording of the draft indexation arrangements now under discussion. That's just it; these drafts recognize the sovereignty of negotiation on wages at the enterprise level. [passage omitted]

Arguing against the thesis that indexation runs counter to the market mechanism, I would like to refer to the American economist Milton Friedman, one of the most widely known defenders of the market economy, a merciless critic of the collective economy and state interventionism, an economist venerated by the liberals in our country, a Nobel Prize winner in economics. So, even he is in favor of wage indexation in an inflationary environment. It is worthwhile to relay one of his arguments to the opponents of indexation: inflation and the emission of nominal money which it entails brings about the competition of social groups in the course of its distribution, and creates groups interested in the inflationary financing of their pursuits. The existence of such groups perpetuates inflation, and hampers overcoming it. In Poland, it is also easy to observe a run on the inflationary sources of financing.

Employers in the central echelon and in enterprises count on financing changes in the structure of wages with inflationary money, and on reinforcing incentive systems by using it. They usually achieve the result opposite to that intended—they destroy incentive systems due to the unintended acceleration of inflation. In turn, changes in wage structures turn out to be temporary. [passage omitted]

Hence the request: let us not try to finance salary raises to certain employee groups by an inflationary decline in the real wages of other groups, be it within the scope of the economy, or an enterprise. As a rule, this approach only brings about greater inflation. The inflationary money is taken away from the decisionmakers in the

course of indexing individual wages. Generally, this restrains inflation, because the social base of pro-inflation forces is weakened. [passage omitted]

### **Indexation Claims Doubted**

26000430 Warsaw *POLITYKA* in Polish  
No 11, 18 Mar 89 p 4

[Article by Jerzy Kleer: "The Danger of Indexation: Who Pays?"]

[Excerpts] Economic reasoning is increasingly giving way to social reasoning in the course of the indexation debate. Worse yet, proponents of indexation do not want to listen to economic arguments. This is clearly seen if one reads and compares the texts by Marek Dabrowski and Andrzej Topinski. I find the arguments of M. Dabrowski much more convincing, and I count myself with my views among those who are not in favor of indexation. However, by now the issue of indexation is not merely the subject of arguments and debates at the "little round table," or of polemics in the press. [passage omitted]

First of all, I would like to stress that we already have some kind of indexation. To be sure, it is deficient, incomplete, but it exists. This is the old income parity of rural and urban areas which is not always complied with, but which nonetheless exists. Doing away with this parity will not be possible because, as the resolutions of the working group on agriculture suggest, the introduction of free-market prices for foodstuffs is to be spread over a certain period of time. Besides, in the annual plan, we envisage a 40-percent tax-free increase in wages; for several years, adjustments of minimal wages in the socialized sector have been in effect, which somewhat automatically brings about increases in the wages of groups situated higher on the wage scale. We already have new regulations on revaluing retirement benefits and annuities. Finally, in late January, a law regulating wage ratios in the budget-financed sphere and that of material production was passed. [passage omitted]

As it is at present, the debate actually is not about whether indexation is or is not to be introduced, but rather about not falling into the trap of double indexation, not superimposing additional arrangements on the current ones which, after all, do settle some pay and income problems. This would be a misfortune for the economy, and particularly for society. If decisions on indexation are made, it will become necessary to exclude from it the raises which numerous groups and enterprises have secured in the course of this year. Is it possible? In theory, it definitely is. However, in practice such a measure will definitely bring about more pay demands.

Since the phrase "pay and income demands" has come up, I would like to stress emphatically that no comprehensive indexation will eliminate them. After all, inflation is not the only reason for them, but also comparing your income to that of other groups of enterprises and neighbors. [passage omitted]

At present, pay demands amount not only to a battle for preserving current incomes, but also an effort [to ensure] their fair distribution. It appears that indexation makes sense only if two conditions are met: firstly, that individual groups are satisfied with the existing wages (incomes), and merely strive to maintain their financial standing, and, secondly, inflation is relatively low, that is, not exceeding the 15-percent threshold. Neither of these conditions obtains in our country.

At this point, we arrive at the focal problem. Is it possible to overcome the crisis and carry out the economic reform without entailing costs? [passage omitted] In the past, both the government and the OPZZ, and at present also the opposition-Solidarity side, through its demand for comprehensive, automatic, and complete (or almost complete) indexation, have argued that these operations may be performed without a reduction in the standard of living. This is one of the myths which have been spreading through our society for many years (since at least 1983-84). [passage omitted] I am well aware that no political force wants to state this clearly and explicitly. This would be extremely unpopular, and would discourage and turn away the proponents of certain forces. However, how long do we have to lie to ourselves? All, or in any event most, objective opinions of domestic and foreign experts, with the World Bank reports foremost among them, clearly find such [austerity] measures necessary. [Passage omitted] The view, mainly that of Prof Jan Lipinski, has been propagated which calls for dividing the entire array of goods and services into three groups: foodstuffs in the broad meaning of the word, for which compensation should be complete (except for such products as, say, eels, salmon, and so forth); the group of standard products and services, which should be compensated for only in part (debates should only involve the make-up of the basket to be compensated for); and above-standard products and services, which should not be subject to compensation. [passage omitted]

### **Enterprise Role Limited**

26000430 Warsaw *ZYCIE WARSZAWY* in Polish  
23 Feb 89 p 3

[Interview with Dr Marcin Swiecicki, secretary general of Economic Advisory Council, by Halina Lesnicka: "On Indexing Wages and Benefits"; date and place not given]

[Excerpts] [ZYCIE WARSZAWY] You are taking part in the proceedings of the roundtable working group for wage and income indexation. This topic is giving rise to very considerable controversy. There is much apprehension that comprehensive indexation of wages and incomes would be a factor accelerating inflation and

reducing motivation, that is, working against the principles of the economic reform. What do the economic practitioners, recently consulted by the Advisory Council, think about this subject?

[Swiecicki] The justification of the position advanced by Solidarity—that indexation would bring a feeling of security to the employees, because it would guarantee everyone automatic compensation for the growth of prices—is completely understandable given the current price-and-income situation. However, further arguments which are to justify indexation cause doubts, in particular, that this will restrict spontaneous pressure on wages, and reduce the rate of inflation by this token, and that the rate of increases will be "fair" for all. We solicited the opinion of practitioners in this matter, directors of a dozen large enterprises with whom we met at the Advisory Economic Council (including the Lenin Iron and Steel Plant, Pollena, Polfa, Roza Luksemburg Works, Unitra-Omig, Polam). They are against indexation, and they do not believe in its benevolent consequences. As they see it, this would be a new title for mighty pay raises foisted on them from the outside, for which some enterprises will not have funds at all, except if they jack up prices right away. In enterprises which would have the funds, automatic raises for all would exhaust, or profoundly reduce the potential for fashioning an enterprise wage policy. In any enterprise, certain needs to differentiate wage growth exist, e.g., to increase the wages faster in shops turning out products for export, expanding new technologies, or operating on the third shift, and so forth. If highly skilled professionals, employed in key positions in its operation, are fleeing from some enterprise, its director should also have the opportunity to increase their wages to competitive levels at the expense of the wages of, say, auxiliary or clerical employees (among others, the director of the Pruszkow Machine Tool Plant, which produces world-standard equipment, quoted this example).

Comprehensive price indexation will substantially reduce the potential for efficiency- and production-oriented wage operations within enterprises. Finally, indexation would perpetuate the currently existing wage differentiation between enterprises; such differentiation is, perhaps, unacceptable for some workforces, and it amounts to an essential factor of pay demands, along with price increases. Improving these ratios will require additional payments beyond what indexation calls for. Overall, we should reckon with wage increases guaranteed to all, which would fully offset the growth of the cost of living, increasing the influx of money markedly, with production results being smaller. [passage omitted]

[ZYCIE WARSZAWY] In a majority of countries where partial indexation is used, arrangements for automatic wage increases are included in collective contracts. Can we use similar arrangements?

[Swiecicki] In our country, the practical role of collective contracts in setting wages is minimal due to the comprehensive use of enterprise remuneration systems. However, an eventual increase in the role of collective contracts in putting the ratios of wages in our economy in order calls for separate study, and time. Preparing, coordinating, and introducing collective contracts would call for many months, if not years.

[ZYCIE WARSZAWY] Therefore, is indexation altogether unnecessary?

[Swiecicki] To the directors, proper "indexation" of the entire wage fund tied to, among other things, the growth of the cost of living, which makes it possible to adjust the ratio of wages at [different] enterprises, appears to be most important. In turn, the distribution of funds inside the enterprise should be left to them, and to trade unions operating inside the enterprise.

In turn, uniform wage increases every quarter for all employees by [an amount corresponding to] almost the entire [increment in the] statistic of the cost of living would speed up the pace of the price-and-income spiral rather than slow it down. They would also perpetuate the existing disproportions in prices both among and inside enterprises, rather than put them in order in keeping with the feeling of fairness on the part of the workforces and the demands of efficiency.

[ZYCIE WARSZAWY] Therefore, which arrangement would be expedient in order to protect our society from runaway inflation?

[Swiecicki] I concur in the opinion of directors that we should first of all streamline the potential for increasing the wage fund in enterprises, and make possible corrections within the year if increases in the cost of living exceed planned projections, which happens to be the rule. On the other hand, the distribution of wage increases inside the enterprise should be left to the enterprise itself. [passage omitted]

## ROMANIA

### Current Status of Worker Self-Management Examined

#### Masses Role in Management

27000051 Bucharest SCINTEIA in Romanian  
15 Feb 89 p 1

[Unattributed article: "Worker Self-Management, an Expressive Materialization of Democratism in Socialist Romania"]

[Text] The new ownership relations and the new production relations instituted in the years of socialist revolution and construction in Romania's economic life confer a social status on the working class, on all the working people, that of owners, producers, and beneficiaries of

the results of social labor. In this capacity they participate in the collective management of the economic units and in the political life of society, directly asserting their right to make choices and decisions on the matters that concern the entire economic and social development of the country.

A unitary system for management of society, composed of bodies and organizations that perform their activity in all the economic and social units, in the territorial units, and on a national level, widely utilizing the initiative, experience, and creative capacity of the masses, has been created over several stages of development of our socialist society.

The working people's general assemblies and councils and the democratic organizations set up on a national level constitute representative forums of our working-class democracy, the framework in which the status of owners of the means of production that the working people now have can be fully affirmed. The more than 2 decades of experience that our country has in the process of developing a new institutional framework for socialist democracy have demonstrated with the indisputable arguments of social practice, of life, the historical significance and value of our party's innovative strategic orientations, which have stimulated in these years the economic and political life of Romanian society. The same historical experience of developing the democratic framework for management and strongly affirming the political leading role of the working class has validated a principle of general value for the revolutionary work of socialist construction: the management by the party of the entire process of improvement in socialist democracy, the guarantee of the consistently revolutionary attainment of the objectives for the general development of the new order.

The principles of worker self-management and self-administration stand in the center of the democratic system for management developed in our country in the last 2 decades. In the current stage, worker self-management represents the most comprehensive form for direct participation by the masses in the management of the economic units and of all society, for checking and evaluation of the results obtained in properly administering the part of national wealth entrusted for administration and development, and for continual growth in the efficiency of all activity.

Practical experience and life itself have demonstrated conclusively that the open, innovative spirit in which our party's documents have approached in all these years and are approaching the complex problems in improving all fields of activity, including the problems in the exercise of the role of the working class in all economic and social development, represents a strong premise for solving the problems in continual progress for society. "We feel that, in general," Comrade Nicolae Ceausescu noted in this regard in the speech on 28 November 1988, "the system for management of economic and social

activity corresponds to the current stage of development. However, it is necessary for us to always have in view the improvement and growth of the responsibility of all the management bodies and the strengthening of the order and discipline in performing the tasks that devolve upon them in the complex process of the division of labor and of the management of all sectors of activity."

Such openness toward the current requirements of economic and social life responds to the transforming processes that have occurred and are occurring in all fields of social life, in material production, in the democratic climate of political life, and in the spiritual life of contemporary Romanian society.

(On page 3 of this newspaper, we publish a broad discussion on this topic.)

#### **Self-Management Discussed**

*27000051 Bucharest SCINTEIA in Romanian  
15 Feb 89 p 3*

[Article by Ion Stănescu; first paragraph is SCINTEIA introduction]

[Text] The connection that exists between the democratic framework for worker self-management and the responsibilities of the working class for fully exercising the powers that the framework for organization and management offers them constituted the topic of a discussion organized by our editorial staff, in which the following participated: Univ Assoc Prof Dr Mircea Bota, of the Iasi Agronomic Institute, Univ Lecturers Dr Constantin Nica and Dr Ion Zara, of the Academy of Social and Political Education under the RCP Central Committee, and Gheorghe Predoiu, the chairman of the working people's council at the Buzau Window Glass Enterprise.

#### **Democratic Management and Unitary Development of the Socialist Economy**

Mircea Bota: In the process of the construction of socialism, on the basis of the development of the production forces and the economic and social relations, of the requirements of the objective laws, and of the tasks that must be performed in each stage, the theory and practice of revolutionary socialist democracy are constantly enriching themselves. In the period after the ninth party congress, on the plane of the development of revolutionary socialist democracy, too, as in other fields of social life, innovative contributions of major importance have been made, in the spirit of openness and receptiveness to the requirements of social practice proper to the revolutionary outlook of our party and its secretary general, Comrade Nicolae Ceausescu.

The system of revolutionary working-class democracy that now operates in our country was created and applied gradually, over the course of 2 decades, on the basis of the orientations worked out by the Ninth Party Congress

in 1965 and by the other national congresses and conferences that followed. It includes significant innovative elements for developing and improving our socialist democracy on an economic, political, legal, social, and cultural plane for all citizens of our country.

In these years, the historical process of developing and improving the democratic forms for participation by the working class, by all the working people, in managing all economic and social activity was concretized in the abandoning of one-man management of the economic and social units and the formation of the first democratic bodies for collective management in the enterprises in 1968. The management committees set up then were turned into working people's councils, collective bodies for managing all economic and social activity. The working people's general assemblies, which decide on and are responsible for properly administering and developing the resources in each economic unit, were institutionalized in this framework. In these years, the continual process of improving the institutional framework created was marked by the successive measures adopted by our party to improve the management and planning of the national economy and to improve the territorial-administrative organization of the country in 1968 and by the measures regarding the improvement of the organization, planning, and management of agriculture, the organization of the Central Council for Worker Control of Economic and Social Activity in 1972, and the organization of the Supreme Council for Economic and Social Development in 1973—which now operates as a widely representative economic parliament, its powers being expanded by the measures adopted in 1987. Since 1978, the state socialist units have been organized on the basis of worker self-management and economic and financial self-administration.

A broad economic, organizational, and legal framework for further developing and improving our socialist democracy has been created by means of all these measures. The democratic forms instituted in the management of economic and social life after 1967 have fully confirmed their validity. Then—but also later—some theoreticians abroad expressed reservations and formulated criticism about the familiar measures devised and applied in our country for improving the economic mechanism. In recent years, the implementation of these measures and the promotion of the forms for collectively managing all economic and social activity have become a topical matter of great importance for socialist construction in general.

**Ion Zara:** The historical analysis of these changes, like the noting of their topicality, starts from the principle that socialist ownership forms the objective basis for affirming the democratism of our society. The forms of social ownership generate and consolidate the unitary structure of interests of all the social forces. However, the adoption of measures to improve management and

to utilize on a higher plane the experience of socialist construction is of a nature to cause in its turn the consolidation of socialist ownership.

As Comrade Nicolae Ceausescu underscored in the speech at the democratic forum in November 1988, the development of socialist democracy—an inseparable part of the revolutionary process in the current stage—further presupposes the strengthening of the participation of the masses in management, of the control exercised by the masses over the activity of all management bodies, and the expansion of the practice that the management personnel periodically give reports before the working people regarding the way in which they are fulfilling their mandate. No management body and no management personnel—the secretary general of the party underscored—can avoid the control of the masses, the obligation to respond in front of them regarding the way in which they are performing the functions entrusted to them. In the current stage, the strengthening of worker self-management presupposes directly the growth of the role of the working people's general assemblies and councils in all fields of activity.

**Gheorghe Predoiu:** Every time he speaks about the development of our socialist democracy, Comrade Nicolae Ceausescu underscores the connection that must exist between its two aspects. To benefit from the rights offered by the socialist order and to act responsibly to properly administer national wealth and socialist property now constitute not only two directions that are mutually dependent but also the only ones that can ensure the fulfillment of the aspirations for progress and well-being of those who work.

The experience of the working people's council at the Buzau Window Glass Enterprise demonstrates itself this principle that consistently orients our party's concerns for improving the framework for worker self-management. These changes have led not only to the numerical growth of the working class but also to the formation of its new attributes, of the responsibility as true owners of national wealth.

By fulfilling and overfulfilling all the plan indicators every year, we have demonstrated and are demonstrating the big responsibilities that our staff has also assumed in administering the property entrusted to it. Beginning last year, we have put into practice in all sections of the enterprise complex measures for modernizing the technological lines and the products. We know that the appearance of the new in any industrial field is now occurring at rapid rates and to not keep pace with it means implicitly to not get high indices of economic efficiency. This is now the economic and political argument that mobilizes the actions initiated in our enterprise by the working people's council. In order to utilize better the thinking, experience, and initiative of the workers, engineers, and technicians in the enterprise, we have strongly pushed the commissions of the working people's councils according to fields. We have thus

managed to finalize in advance some measures in the modernization plan that were slated for the end of the 5-year period. This is the case with the installations for curving double glass, whose modernization has already begun, or with the new machine for processing along the edge the double glass meant for automotive equipment, which will be finalized in February. The responsibility with which the entire staff is acting to continually raise the economic efficiency of our activity is present now not only in the sessions of the working people's council, as a declarative form of expression of concern as owners, but also at each workplace, in the way in which the problems—not few and not easy—of continually renovating the products and raising the quality and efficiency are solved concretely.

[Box, p 3]

#### An Experience of More Than 2 Decades of Strong Affirmation of Revolutionary Working-Class Democracy

- 1968: The general assemblies of the employees or their representatives are institutionalized on the basis of the decision of the RCP Central Committee and the Council of Ministers. The management committees of the enterprises and state economic organizations are set up as collective management bodies of the economic units.
- 1971: With the adoption of the law on the organization and management of the state socialist units, it is stipulated that the collective management bodies would be, at the level of the enterprises, the working people's committees and, at the level of the centrals, the working people's commissions. In 1976, the name of the collective management bodies is unified: the working people's councils.
- 1977: The first congress of the working people's councils, in which over 10,000 representatives of all the working people participated, takes place.
- 1978: The law on the organization and management of the state socialist units and the operation of them on the basis of self-management and economic and financial self-administration is adopted by the Grand National Assembly.
- 1982: Measures regarding the growth of the role and powers of the general assemblies are adopted and enacted.
- 1986: The third congress of the working people's councils, in which 11,000 representatives participated, takes place.

#### An Optimum Institutional Framework for Forging Socialism With the People and for the People

Mircea Bota: In the view of the Romanian Communist Party and its secretary general, Comrade Nicolae Ceausescu, the development and improvement of socialist

democracy are mutually dependent, are harmoniously combined with the unitary management of all economic and social activity on the basis of the sole national plan.

This provides a favorable framework not only for developing the creative initiative of the staffs of working people and expanding the powers of the enterprises and centrals but also for improving at the same time the unitary framework for managing the processes of economic and social development.

The improvement of the forms of economic democracy and of socialist democracy in general does not lead and must not lead to the weakening of unitary management on the basis of the sole national plan. On the contrary, the growth of the autonomy and powers of the socialist units must be accompanied by the growth of the responsibility of the units, the management staffs, and all the working people for properly administering and developing the part of socialist property that has been entrusted to them. The system for the democratic management of all economic and social activity thereby constitutes an important factor for improving all social life and building socialism and communism with the people and for the people.

Constantin Nica: The blending of the national plan's role and the planning's rigorous and firm character with the participation of the staffs of working people in management represents the essential characteristic of the improvement in social management in the current stage.

These basic directions that deepen the unitary and democratic character of management were initiated more than 2 decades ago by the Romanian Communist Party in the spirit of the scientific theses of dialectical and historical materialism. The requirements of each of the stages through which the new society has passed and the revolutionary character of the theory of scientific socialism have brought out and are bringing out the need to maintain a full agreement between the level attained in developing the production forces, science, and culture and the forms of economic and political organization, the principles for setting up and operating the representative democratic bodies. "We started," Comrade Nicolae Ceausescu specified in this regard in the speech on 28 November 1988, "from the necessity of providing the unitary management of the entire economy on the basis of the sole national plan for economic and social development and properly combining unitary management with the growth of responsibility, with the self-management, self-administration, and self-financing of all sectors of activity."

The experience accumulated in the last 2 decades brings out the influence that the measures for improving the activity of the state, its role in the unitary planning, coordination, and guidance of all economic and social sectors, and the actions initiated in various stages to simplify the state apparatus and institutions, to eliminate bureaucratic manifestations, and to expand the

powers of the local state bodies have had on all social development, material and spiritual. The optimum use of the economic and financial factors to raise economic efficiency, to stimulate the participation of the masses, and to promote the spirit of initiative of the working class has been provided by means of the closeness of the state personnel and bodies to the production units.

Unitary management, more and more necessary in proportion to development, to the promotion of the new revolution in science and technology, refutes the alleged superiority of the neoconservative theses in the last decade regarding "free initiative" or the neoliberal theses regarding "pure democracy."

In addition, it reveals the inadequate theoretical and practical support of the theses of "market socialism," which assert that in a certain stage of the new society the law of supply and demand, the laws of the market—objective economic laws proper to commodity production—would also have the power to completely solve the complex problems of economic and social development. In this framework, the growth of the role of the sole national plan represents, as Comrade Nicolae Ceausescu pointed out, "the people's conscious, organized action to harmoniously develop the production forces of the entire country and society."

The experience of socialist construction has confirmed fully that the complete utilization of the experiences and initiative of the masses, the more and more active exercise by them of their right to discuss and to directly help to work out the decisions, represents a premise for the successful performance of the functions of the socialist state, constitutes a true social law proper to socialism.

The indissoluble connection between unitary management and self-management lies in the fact that the democratic bodies of the enterprises make decisions in conformity with the sole national plan, that the role of the unitary planning of all economic activity is supplemented with broad deliberative powers for the economic and social units. In the final analysis, these connections between unitary management and self-management provide for the specification and observance of the roles of each unit in the social division of labor so that as much as is necessary and what is necessary is produced on a national scale in accordance with the general interests of society.

Mircea Bota: Since there has been much discussion on an international level in recent years regarding the problems of improvement in socialist democracy, in the forms of organization, management, and planning of economic and social activity, the matter of knowing and thoroughly studying the contribution made to this field by the Romanian Communist Party and its secretary general, Comrade Nicolae Ceausescu, is highly topical and has a particular theoretical and practical importance.

Correlating revolutionary socialist democracy, the forms of organization, management, and planning of economic and social activity, with the content of socialist ownership relations—which objectively determine them—as well as with the general principles of socialism and the objectives and tasks that must be fulfilled in each stage, under the specific, internal and international, concrete historical conditions of socialist construction in each country, the secretary general of our party pointed out the inadequacy and unilateralism of the exclusively centralist or exclusively autonomist theses and practices regarding improvement in the forms of organization, management, and planning of all social life and substantiated the necessity that, along with the development and improvement of socialist democracy, a strengthening of the unitary, centralized management of society on the basis of the sole national plan also be achieved. The combining of the concerns regarding the development and improvement of socialist democracy with the unitary management of all economic and social activity on the basis of the sole national plan provides for the promotion of the general interests of all members of the socialist society, the optimum utilization of natural, technical, material, and human resources, the attainment of a rational and fair social division of labor, the securing of the development of the national economy at a steady rate, the wide promotion of scientific research and technological development, and the introduction of scientific and technical progress into all economic and social activity.

[Box, p 3]

**Greater Responsibilities in the Management of Political, Economic, and Social Life**

- The number of workers in the total employed population has risen from about 1,229,000 in 1950 to 3,109,000 in 1965 and to over 6,100,000 at present.
- Workers now represent 55.7 percent of the number of members of the Romanian Communist Party.
- The percentage of workers, foremen, and technicians in the composition of the collective management bodies is now 50 percent at the level of the enterprises, factories, and sections, 33 percent at the level of the industrial centrals, and 25 percent at the level of the ministries and the other central bodies of the state administration.

**The Vocational and Political Training of the Working Class—A Dynamic Factor in Improving the Democratic Framework**

Gheorghe Predoiu: The principle of collective labor and management does not mean, of course, the absence of firm and precise responsibilities for properly doing one's own labor, just as it is not synonymous with the possibility of shirking individual responsibilities in the case of shortfalls, in the case of negative economic results at a given time, either. We always have big responsibilities

regarding the staff of people that appointed us to represent it on the working people's council, as well as regarding the enterprise's general interests and the socialist property that we administer. The constantly updated vocational training and the ever higher complexity and value of the equipment with which a workplace in industry is now supplied put in quite different terms the problems of the capacity for initiative, of the responsibility, and, in general, of the social status of today's worker.

**Editorial staff:** Of course, today's working class can no longer be understood in the terms that the first industrial revolution assigned to it a couple hundred years ago and even in the terms in which it was viewed in the first part of our century. We can say, in other words, that the scientific and technical revolution still has in the modern worker one of its main bearers, a factor for progress that is far from having said its last word, far from having exhausted its capacity to stimulate the innovative processes in the field of the organization and management of economic life.

**Ion Zara:** The management-organization factor has always been present in the functioning of the various human collectivities. Given the complexity and dynamics of national and international, individual and collective social life, the scientific-management factor now has a greater and greater importance. It is a question especially of the capacity to grasp and utilize all the possibilities that the correlation between the level of objective development and the requirements for contemporary progress can offer in a given context. However, this presupposes, in particular, the continual improvement of the vocational and political training of those called upon to conduct and organize the new processes of development, the working people themselves.

The strategy for development that our society has been implementing in the last 2 decades brings to the forefront the requirement that one's own forces and capacities, the personal and collective initiative, and the resources of raw materials, energy, and manpower be well organized in order to be concretized in useful values. This presupposes that the labor done be converted into an ever higher coefficient of social efficiency. It is a truth proven by life that each individual capacity not utilized socially, because that necessary stimulative climate has not yet been established in one workplace or another, constitutes a big loss to society. Worker self-management, by means of which each member of society is urged to think, to seek the most efficient ways of development for him and for society, constitutes at present the optimum institutional framework in which the available resources and possibilities can be utilized ever more efficiently.

At the same time, the optimum functioning of worker self-management presupposes the strong affirmation of the revolutionary spirit, of commitment and devotion to work. As our party's documents with a programmatic character and Comrade Nicolae Ceausescu's speech on 28 November pointed out, the performance of the so

complex tasks of the current stage requires in the field of the management of society the formation of a new consciousness, of a new political culture.

Among these traits, the consciousness of responsibility, in particular, stands out. It is known that the new conditions for developing our country presupposes a high degree of personal and collective responsibility. The matters of planning, of applying the overall contract, of showing a profit, and of improving the technologies and the organization of labor involve in a responsible way each head of a central, of an enterprise, of a crew, or of other work formations.

The democratic principles of management instituted in our society offer to each working person the possibility of utilizing his experience and training in responsible, competent participation in the activity of the collective management bodies. At the same time, however, such participation entails the requirement of having something personal to say, of coming with an idea, with a proposal in one field or another that you know well and have analyzed critically. These are the premises on which the democratic participation of the working class, of all the working people, constitutes a propelling force for development, for the progress of society.

In the current stage of construction of socialism in our country, characterized by deep changes and transformations in all fields of social life, the continual concern in the direction of improving the democratic framework appears all the more legitimate. The transition from extensive development to intensive development and to predominantly qualitative development represents the terrain where the structures, principles, and methods of organization and management are verifying their durability in practice, confirming their viability, their reserves for progress. In this framework, the improvement of the management of economic, social, and political life in the direction of the deepening of democracy and of self-management represents one of the main directions for the fulfillment of the role of the working class as a decisive social force for developing the new order.

[Box, p 3]

**Direct Participation in the Decisionmaking Bodies on All Levels**

—In industry, construction, transportation, and other sectors of the economy, 4,041 working people's councils, with over 79,700 members, operate in enterprises, factories, and sections.

—There are over 5,100 members on the 119 working people's councils in industrial centrals and other units similar to them.

—The management councils of the ministries and of the other central bodies of the state administration have 2,300 members, of which over 575 are workers, foremen, and technicians.

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